University of Alberta

China as an Emerging Power:
Issues Related to Territorial Integrity

by

Laura Noce

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A thesis submitted to the Faculty of Graduate Studies and Research in partial fulfillment of the requirements for the degree of Master of Arts

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Abstract

This study examines China's irredentist ambitions from a Realist perspective. It disputes the notion that China is a threat; that the leadership aspires to become a regional hegemon; and that China is using its growing economic power base to develop an offensive military force. Rather, this study contends that China's push to attain territorial integrity reflects a search for survival and security, both externally and internally. Not only does Beijing aim to preserve a favorable and safe external security orientation, but the leadership also aims to maintain internal stability and control, as well as sustain a rational drive to continue its economic reforms. These arguments are supported by three case studies, which include the South China Sea, Taiwan and Diaoyutai Islands.

Dedication

This thesis is dedicated to my grandparents, Egidio and Filomena Cardinali and Guiseppe and Vittoria Noce, who gave up their dreams in order that we could pursue ours. To my parents, Salvatore and Concetta Noce, whose work ethic and integrity I have worked hard to emulate, and to Fiore Vecchio, who never ceased to encourage, inspire and love me.

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Foremost, I would like to thank my advisor Professor Wenran Jiang for his excellent guidance, suggestions, support and encouragement. My accomplishments reflect the time you always set aside for me. To Dr. Juris Lejnieks, I would like to extend my sincerest gratitude not only for pointing me in the right direction, but also for taking the time to help me when I was in need. To Dr. David Bai, thank you for all your advice and thesis suggestions: "writing a thesis is like building a house, one step at a time." Lastly, I would like to acknowledge everyone within the East Asian Studies Department, who have all tremendously helped me in the past, including Dr. Jack Lin, Dr. Laifong Leung, Dr.Richard Lynn, Dr. Sonia Arntzen, Heather McDonald and Sharon MacKenzie.

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Chapter 1

Introduction

China is the largest and most economically dynamic nation in the world today. A large population, vast territory and rich resources in conjunction with a remarkably high and consistent growth rate help ensure China's place as global power in the twenty-first century. While many countries warmly welcome the opportunity to invest on the mainland, China's resurgent interests in reclaiming the Diaoyutai Islands, the Spratlys and Taiwan have evoked substantial regional and international attention. Recent acts such as Beijing aggressively pursuing islets in the South China Sea or conducting military exercises off the Taiwan Strait have heightened anxieties concerning China's future objectives, particularly since Beijing's behavior is seen as contradicting the leadership's call for peaceful co-existence and forsworn interest in "hegemony."[1]

Beijing's growing irredentism concerns actors on both sides of the Pacific, particularly because the new regional order and China's economic progress present the leadership with the incentives and opportunities to change the area's territorial status quo. How to approach China's "gunboat diplomacy" is thus becoming an increasingly debated issue. Some scholars see China's renewed interest in its territories-- Taiwan and the islets in the South and East China Sea—as a product of its growing wealth and military strength.[2] With an average growth rate of almost 9 percent a year and an annual defense budget probably falling within the $28-36 billion range, a "stronger China," they believe, could easily upset the stability of the (Pacific) regional order. Consequently these scholars are more inclined to advocate strategies aimed at "containing" China's growth. Alternately, other scholars see Beijing's growing irredentism as an inevitable response and/or product of China's current geo-political and geo-strategic environment.[3] These academics propose that the international community, led by the United States, follow strategies directed at "engaging" or enmeshing China into the global economy and other multilateral frameworks.

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[1] The Five Principles of Peaceful Coexistence are: mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence. First established by Premier Zhou Enlai and included in a 1954 agreement with India (Agreement Between the People's Republic of China and the Republic of India on Trade and Intercourse Between the Tibet Region of China and India), the principles "have been adopted in many other international documents and have widely become accepted as norms for [China's] relations with countries." For more information see: Deng Xiaoping, Selected Works of Deng Xiaoping, trans. The Bureau for the Compilation and Translation of Works of Marx, Engels, Lenin and Stalin Under the Central Committee of the Communist Party of China, vol.3 (Beijing: Foreign Language Press, 1994) 376. Regarding hegemony, the Chinese Communist Party maintains China opposes hegemonism and will never in itself seek hegemony over other nations. Further elaboration on China's anti-hegemonic stance will be explored in later sections. For examples of anti-hegemonic propaganda see: Deng 165, 341, 345, 350.

Scholars who associate China's renewed interest in achieving territorial integrity with growing wealth and military strength point toward Beijing's expansive behavior in the South China Sea and missile tests off the coast of Taiwan to highlight China's actions as self-serving and to argue that Beijing aspires to be a hegemon. Yet, by drawing negative inferences between Beijing's actions and future intentions, the already laborious task of drawing China further into any international framework becomes increasingly difficult because China is seen more as a liability than an asset to the workings of the global system. Stripped to the bare essentials, when analyzing China's strategies regarding a particular territorial dispute, there is a tendency to focus on how capable (or incapable) Beijing is in carrying out its actions, rather than understanding what constraints or factors compel the leadership to rationalize their behavior as necessary. In fact, China is so commonly characterized as a state powerful enough to bid for hegemony that Beijing's irredentism is often considered a testimonial to the supposition that China is a threat. Therefore, the scope of this thesis is not to immediately assume China's territorial objectives are related to grander ambitions of hegemonic control. While China's growing wealth and military strength may place the state in a better position to change the region's territorial status quo, in reality Beijing has been just as prudent as it has been aggressive in reclaiming ownership over three of its areas: the Spratly/ Paracel Islands, Taiwan and the Diaoyutai (Senkaku) Islands. What this study will therefore consider is why exactly these territories are so important for Beijing.

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[2] Examples include: Richard Burnstein and Ross H. Munroe, The Coming Conflict with China (New York: Knopf, 1996); Gerald Segal, "East Asia and the 'Constrainment' of China," International Security 20 (1996): 107-35 and Chalmers Johnson, "Containing China: US and Japan Drift Toward Disaster," Japan Quarterly 43.3 (1996): 10-18.

[3] Examples include: Andrew J. Nathan and Robert S. Ross, The Great Wall and the Empty Fortress (New York: W.W. Norton and Company, 1997); Eric Hyer, "The South China Sea Disputes: Implications of China's Earlier Territorial Settlements," Pacific Affairs 68.1 (1994): 24-53; Michael G. Gallagher, "China's Illusory Threat in the South China Sea," International Security 19.1 (1994): 169-94.

To understand China's behavior in context we must objectively define China's national interests while identifying situations or factors that from Beijing's perspective seem to threaten these interests. An important consideration is to examine how China's growing irredentism relates to Beijing's preoccupation with global power structures and its relative position therein. Subsequently, my ideas are largely influenced by the latter camp of scholars who focus more on China's current geo-political and geo-strategic environment in order to explain Beijing's growing obsession with its territories. The initial proposition is that global developments of the past decade, essentially the conclusion of the Cold War and the collapse of the former Soviet Union have changed China's assessment of its current strategic environment and threat perceptions. For the first time in over a century China does not face an identifiable and pressing external threat. Yet, according to some theorists, "states are ever vigilant when it comes to maintaining their security [in order] to survive as independent actors,"[4] and this thesis suggests that China is no different. Since it is within the leadership's nature to continually assess the capabilities of contending powers-- particularly their ability to do harm, Beijing's threat (mis)perceptions serve to reinforce how the territories can be used to secure strategic, political and economic goals.

In order to develop these assumptions I will draw upon the conceptualization of state behavior found in classical and structural realism, largely because I believe that the theory occupies a central spot in Chinese analysts' perspectives. In doing so, I intend to show that Beijing is a cautionary, flexible actor whose objectives merely reflect its desire to maintain its power and position relative to other states. Although I will stay within the realist premise and assume that China's irredentist strategies reflect a continued search for survival (or self-preservation) and security, China pursues many goals and as such our analysis has to take into account competing goals generated by internal social, political and economic constraints. Since both the international system and the domestic conditions of society are primary determinants of foreign policy,[5] our study needs to include at least a basic examination of China's domestic constraints.

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[4] Christopher Layne, "Rethinking American Grande Strategy," World Policy Journal 15.2 (1998): 13.

A survey of the three case studies will demonstrate how strategic security, domestic political support, and economic gain are connected to China's grand strategy of territorial integrity. It will be argued that Beijing's irredentism is as much a product of China's security orientation (internal and external) as it is an ideological reaction to China's self-image as a "exploited" nation trying hard to recover prestige and territories robbed during foreign invasion and exploitation. Furthermore, it will also be demonstrated how territorial integrity can potentially increase the leadership's political popularity and improve the nation's economic efficiency. Since the leadership considers Taiwan and the islets in the South and East China Sea as Chinese territory, they "will react [and have reacted] harshly to what they interpret as infringements on China's sovereignty."[6] Granted that territorial integrity is very important to the preservation of China and the regime, there are still limits in how far Beijing will push the boundaries of domestic and international tolerance to prove a point. Even though Beijing may initiate crisis, the regime is nonetheless careful not to let momentary or short-term shake-ups jeopardize long-term goals and gains. Because China is heavily dependent on the foreign sector for capital and technology transfer and is therefore in no position to dictate international norms, it is not yet capable of being a regional hegemon. While Beijing's aggressive or threatening behavior in reference to contested territories is often used to support the argument that China is competing for hegemony, this thesis concludes that Beijing's irredentism reflects the leadership's search for survival—internal and external.

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[5] Robert Gilpin, War and Change in World Politics (London: Cambridge UP, 1981) 87.

[6] Larry M. Wortzel, "China Pursues Traditional Great Power Status," Orbis 38.2 (1994): 159.

Making Sense of China's Behavior

To conceptualize what motivates China's irredentism, we first need to establish a context of how three concepts mentioned above: new regional order, hegemony and national interest relate to both China and the broader Asia Pacific region.

New Regional Order

Of the unprecedented transitions that have occurred in the past decade, the disintegration of the former Soviet Union followed by the drawing of the Iron Curtain have affected the region the most. The bipolar system has now been replaced by a multi-polar system, creating a "new regional order" in which the interests of four major powers (United States, Japan, China and Russia) intersect in East Asia alone! At one time, during the Cold War era three circumstances determined China's position in the area's political and military strategic balance: (1) the US-Soviet military equilibrium; (2) the Washington-Beijing-Moscow strategic triangle;[7] and (3) Japan's military alliance with the United States.[8] Now that the Cold War has ended, Beijing's ambivalence concerning the region's framework focuses on scenarios that could impede a greater Chinese presence in the area.

Beijing's national security environment has indeed improved in the absence of the Cold War. In an effort to increase its presence in the peripheral area Beijing has normalized relations with Seoul, Jakarta, Hanoi and Singapore, and with their links to the outside world continually expanding, China is feeling more confident about its ability to contribute to the region's growth. Nevertheless, despite an array of diplomatic and economic successes, there remains an awareness that the potential for conflict still exists. A catalogue of China's apprehensions include Taiwan's potential to claim independence, potential future threats to critical sea lanes in the South China Sea and a new assertive, independent demeanor in Japan's security policy.[9] Beijing's biggest worry by far however, involves the prospect of a large and continued American presence in the region; a threat perceived not so much militarily, but rather politically and culturally.

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[7] **China's size and strategic location made it a matter of intense concern to both actors in the emerging Cold War. Strategically poised to swing in either direction, if China aligned with the United States it helped check Soviet power, yet if China sided with Moscow it could help expand Soviet power at America's expense. See Nathan and Ross 46-48.**

China fears that Washington is working to regulate their growth and erect a new architecture of "US hegemony" in the region. No longer needed to curb the Soviet threat and only needed to control and check Japanese remilitarization, Beijing prefers that Washington limit its military presence in the area. Yet, China's comprehensive national strength (the sum of a large population and land mass, abundant natural resources and improving economy) has created an American awakening of sorts. Because Washington has finally encountered a "power whose security needs and policy objectives they are not in a position to satisfy,"[10] they have not exhibited much compliance. While the US may be committed to reducing its defense expenditures for domestic economic reasons, rather than withdraw altogether, Washington is simply shifting more of the burden of responsibility from itself unto the other regional actors. Beijing's assumptions that America's involvement in the region will remain active and on-going are reinforced by scenarios such as the recently revised US-Japan defense alliance; the US selling 150 F-16s to Taiwan or the American dispatch of two aircraft carriers to patrol the Taiwan Strait during the 1996 crisis.

Hegemony

From the above discussion we can deduce that one of China's biggest fears is a unipolar world of American "hegemony."[11] Gilpin's basic theory of "hegemonic stability" proposes that a dominant power, which has already expanded to its profitable limits, has an interest in maintaining a stable status quo and if powerful enough, will attempt to exercise hegemony (to set the rule of order) over interstate economic and political transactions. According to the theory, when power in the world system is concentrated in a hegemon, major wars will be smaller in scope, size and length. Yet when power is multicentric, the system is prone to extensive, large and prolonged wars.[12] Since China clearly desires a multipolar system above a unipolar system, is Beijing's interpretation of "hegemony" different from western derived definitions?

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[10] Ted Galen Carpenter, "Washington's Smothering Strategy: American Interests in East Asia," World Policy Journal 14.4 (1997/98): 25.

[11] The only other nation that could possibly contend for regional hegemony is Japan, but I believe Japan's dominance in the region is handicapped by its own economic and military vulnerabilities. Aside from an aging workforce, a labor shortage and a declining savings rate, Japan lacks natural resources consequently relying heavily on foreign supplies for raw materials. In military aspects, Japan's constraints include not only a peace constitution forbidding armed forces, but also strong public opposition resisting military build-up. Denny Roy, "Hegemon on the Horizon," International Security 19.1(1994): 150-151 presents a good analysis on Japan's inherent vulnerabilities, economic and military.

For the purpose of this thesis, a hegemon will be defined in a rather simple way as a nation that can take on some or all the responsibilities that follow. Certain tasks may include: sponsoring and enforcing rules for international trade and guidelines for diplomacy; providing security to allies; mediating disputes; pressuring other states for economic privileges; protecting the movement of friendly nations' commerce through international waters and airspace; and punishing states that transgress the order.[13] Why would hegemons assume these kinds of responsibilities? According to standard realist theory, it is in the hegemon's self-interest (so long as the costs do not exceed the benefits) to seek to change the international system and then to maintain the status quo because in the end it is profitable for them to do so.[14]

As a rising state, and as its economic and power base increases, China does have the potential to change the regional status quo in its favor. What this analysis hopes to show by using China's territorial disputes with Japan, Taiwan, and most of the ASEAN states, is how China is incapable of manipulating any change to the system without actually incurring negative costs. Thus, it is this author's opinion that China's concept of hegemony is different insomuch as Beijing disapproves of any one country that has the ability to exploit or dominate another. Consider for a moment how some Chinese leaders already dislike having to follow US-guided and imposed Western norms and values, especially those they do not see as shaping or serving their own interests.[15] More specifically, some believe that "Western pressure on 'political ideologies, lifestyle and values' is merely a Western attempt to reinforce its hegemony over the rest of the world- in particular to 'discipline' a rising China."[16] If China's own right to conduct its affairs (i.e., it's right to make independent domestic and foreign policy decisions, its right to territorial integrity and its right to economic development) is constrained by the directives of the dominant hegemon (basically the US), then China's sovereignty is more or less subject to the imperatives of that hegemon. Even China's President Jiang Zemin expressed disapproval over how "certain big powers, often under the cover of freedom, democracy and human rights set out to encroach upon the sovereignty of other countries, interfere in their internal affairs and undermine their national unity and national harmony."[17] Clearly in no position to be a hegemon per se, the leadership obviously opposes the ominous presence of another.

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[12] Terry Boswell and Mike Sweat, "Hegemony, Long Waves, and Major Wars: A Time Series Analysis of Systemic Dynamics," International Studies Quarterly 35.2 (1991): 131.

[13] Denny Roy, "Assessing the Asia-Pacific 'Power Vacuum,' Survival 37.3 (1995): 46.

[14] Benefits include a secure status quo, free trade, foreign investment and establishing the international monetary system. See: Gilpin 127-145.

[15] Nathan and Ross xii.

National Interest

Beijing's irredentist strategies reflect fundamental strategic considerations of national interest and security concerns. Since "national interest" can be quite elastic or ambiguous, in this thesis it will be defined in terms of political survival, relative strategic and economic gains. Political interests encompass a strong desire on the leadership's behalf to maintain legitimacy and to lessen the extent of China's dependency on the foreign sector. Although contradictory, economic interests refer to China's continued need for foreign capital and technology to aid in the nation's development strategies and strategic interests focus on safeguarding national security, inside and outside China.

Interpreting China's Behavior

Broadly speaking, realist contention places the proximate international goal of any state as the acquisition of power and wealth.[18] Core concepts, such as rationality and power assumptions of state behavior evolved out of a need to explain international situations like war or imperialism. Rather than attribute conflict to historical circumstances, evil leaders, flawed sociopolitical systems or inadequate international understanding and education, realists view conflict as a state's natural response to an anarchic and competitive international system. While classical realists concentrate on a state's effort to increase its security (relative to other states) by expanding political, economic and territorial control, structural realists treat the international system as a structure shaping state behavior. In other words, "differential or uneven growth of power among states in a system encourages efforts by certain states to change the system in order to make more secure those interests threatened by their oligopolistic rivals." [19]

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[16] Yong Deng, "The Chinese Conception of National Interests in International Relations," The China Quarterly 154 (1998): 312.

[17] This opinion was expressed during an address to the UN Security Council in October 1995. Christopher Layne, "A House of Cards," World Policy Journal (Fall 1997): 90.

[18] Michael Mastanduna; David A. Lake and G. John Ikenberry, "Toward a Realist Theory of Action," International Studies Quarterly 33.4 (1989): 462.

Realist Assessment of China's External Environment

Political realists consider national security and the acquisition of power as the primary objectives of states. Therefore, if an equal distribution of growth between states does not exist, states will compete with each other to balance or improve their positions of power in the system. If a state fails to take advantage of opportunities to grow, it places its existence or vital interests in jeopardy since it runs the risk that a competitor will seize those opportunities to increase its relative power. Thus, the fundamental goal of states in any relationship is to prevent others from achieving advances in their relative capabilities.[20] Ultimately, what will arise is a "security dilemma" because while one state seeks to enhance its own power and self-preservation it increases the insecurity of others and subsequently stimulates a competition (for security and power) among states.

Current trends in Asian foreign policy literature associate growing apprehension regarding the area's stability with how regional neighbors perceive China's (military) growth, especially in reference to the future of Taiwan and the islets in the East and South China Seas. Overall, China's pace of development, size, geographical proximity, ethnic outreach, and lack of transparency in defense policies create real and imagined problems for its neighbors. In military terms for example,

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[19] Gilpin 93

[20] Gilpin 161.

ASEAN and Taiwan could not expect to match the Chinese, whose military profile boasts upgraded air, naval and streamlined ground forces. Only Japan, with US support, could balance and outclass China's forces. Acutely sensitive to any erosion of their relative capabilities, states' interests in survival drives the vicious circle of arming for the sake balancing. The end product of such an uncertain environment is that each of the actors involved, including China, spends a portion of its efforts, not in forwarding its own good but in providing the means of protecting itself against others.

Although very subjective in nature, the Chinese leadership thus judges its own power distribution in the international system by assessing its national capabilities relative to that of the others. Realistically, no one state, including China, can afford to base its security or trust in others' good intentions. Intentions are ambiguous; today's peaceful intentions may turn hostile tomorrow. Therefore, Beijing rests a portion of its strategies on the estimates of others' capabilities (generally on the basis of potential power) precisely because they remain profoundly conditioned by historical memories of foreign aggression and exploitation. As a result, perceived threats to China's external environment are marked by the quantitative increases and qualitative improvements in the military capabilities of its three perspective adversaries, Taiwan, Japan and Association of South East Asian Nations (ASEAN):

- Taiwan continues to exclusively upgrade its air and naval forces. While the People's Liberation Army Airforce (PLAAF) is deploying SU-27s, Taiwan is deploying a fleet of modern fighters comprised of 150 F-16s and 60 Mirage 2000s.[21] While the People's Liberation Army Navy (PLAN) is deploying more sophisticated destroyers, frigates, and submarines, Taiwan has acquired French and American frigates as well as combat air and defense systems.
- Japan has the regions largest and most technologically sophisticated modern navy, consisting of 63 major surface combatants and 17 submarines.[22] Tokyo's current plans call for a continued modernization of its air, ground and naval forces. Allocating a

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[21] Avery Goldstein, "Great Expectations," International Security 22.3 (1997/98): 52.
[22] Paul H. B. Godwin, "Uncertainty, Insecurity, and China's Military Power," Current History (September 1997): 253.

sum total of $46.8 billion, Japan's defense budget is the third largest in the world.[23]

- Despite ASEAN's predisposition to settle disagreements through open forums, South East Asia nations, competing to defend their territorial and maritime interests in the South China Sea, are not idly standing by while China stockpiles weaponry.[24] In addition to Indonesia and Vietnam who themselves are acquiring and modernizing naval and air force capabilities, Malaysia plans to increase the percentage of its growing Gross Domestic Product (GDP) that it spends on military affairs from two percent to six percent over the next ten to fifteen years.[25]

China's insecurities are also heightened by a fairly pessimistic and worrisome view of the global situation:

> While we welcome the changes caused by the relaxation of certain regional conflicts and the prospects for their political settlement, the grim fact shows that our world is not peaceful, that the peace and development which the people the world over aspire to are still facing a severe challenge, and that hegemonism and power politics continue to develop.[26]

Beyond the questionable military postures of Japan, Taiwan and ASEAN, the leadership has problems with the US, whose actions they interpret as aimed at checking China's power by creating local counterweights. Beijing considers the exaggeration of its capabilities and misinterpretation of its motives as a smoke screen for a US sponsored strategy of containment aimed at China that includes military assistance to regional actors and the cultivation of regional anti-Chinese alliances.[27] In sum, Washington has revised its military agreement with Japan, giving the latter greater responsibility in joint defense operations throughout Asia. Furthermore, Taiwan's military upgrades which include post-Gulf War US Patriot systems and 420 million US worth of Stinger missiles, launchers and related equipment, are transactions-- for Beijing-- that clearly contradict the 1982 Sino-American communiqué.[28]

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[23] Rajan Menon, "The Once and Future Superpower: At Some Point, Japan is Likely to Build a Military Machine that Matches its Economic Might," Educational Foundation for Nuclear Science Bulletin of the Atomic Scientists 53.1 (11 Jan.1997): 9, online, Nexis, 1Nov.1997.

[24] ASEAN seeks the cooperation of the major powers in making South East Asia a genuine "zone of peace, freedom and neutrality." See: Yee 50.

[25] Michael G. Gallagher, "China's Illusory Threat to the South China Sea," International Security 19.1 (1994): 176.

[26] Premier Li Peng demonstrated his anxieties in this report to the National People's Congress in March 1991. Shulong Chu, "The PRC Girds for Limited, High-Tech War," Orbis 38.2 (1994): 179.

[27] Goldstein 66.

How exactly does reunification with Taiwan or gaining complete sovereignty over the Diaoyutai and Spratly Islands reduce China's insecurities? Strictly defensive in nature, territorial integrity would enable China to monitor and "prevent potential enemies from filling roles and gaining capabilities that might increase their relative power."[29] Strategically, Chinese occupation of the South or East China Sea islets provides Beijing with the ability to monitor or disrupt shipping and air traffic channels. Control of the South China Sea is particularly useful because as a waterway, the "area transits approximately twenty five percent of the world's ocean freight, shipping oil and other commercial resources from the Middle East and South East Asia to Japan, Korea and China."[30] In a similar fashion, Taiwan is situated conveniently to monitor movement coming both from the south and the north. Therefore, Taiwan's location could prove useful because it could offset US forward deployment, affect Japan's economic lifeline or restrict Russia's movement.

Aside from issues of security, there are also issues of survival to contend with. Very important, territorial integrity can promote the external validation of the Chinese Communist Party. Since external validation involves the leadership's quest for diplomatic recognition, reunification with Taiwan would finally internationally establish the government on the mainland as the official, legitimate governing body of the People's Republic and the Republic of China. Furthermore, territorial integrity would also prevent neighboring contenders from achieving more advantages over the areas in question. Aside from bountiful supplies of fish, the added value of the Diaoyutai and Spratly Islands stems from the possibility that both areas contain potentially rich oil deposits and natural gas reserves.

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[28] Virginia Sheng, "Pentagon Notifies Congress Stinger Sale to Taiwan Due," Free China Journal 30 Aug.1996, 13.33: 1. In the August 17, 1982 communiqué signed between China and the US, Washington promised to gradually reduce the quantity and not to improve the quality of arms sold to Taiwan.

[29] Roy, Survival 46.

[30] "South China Sea Dispute: Prospects for Preventive Diplomacy," United States Institute of Peace: 11, online, internet, 11 Nov.1997.

Realist Assessment of China's Internal Environment

Structural realists direct more attention on the structure of the international system to explain the causes of war and the conditions of peace. Because a state determines its strategies or interests on the basis of its position in the system, structural realists view the system's composition as a principle factor guiding state behavior. Since a state's external behavior cannot be divorced from its internal situation and capabilities, understanding how China's domestic conditions influence the course of action applied to each territorial dispute deserves as much attention as in trying to understand what makes Beijing take advantage of certain situations more than others. In essence, the structural make-up of the system can encourage or discourage certain behavior and as such rational leaders will try to either maximize incentives or minimize the constraints imposed upon them by both their external and internal environments.

China's territorial interests extend beyond issues of external security and incorporate elements of domestic vulnerabilities. In short, territorial integrity would enable Beijing to reorientate and manipulate its external environment (i.e., the rules of diplomatic, economic, military and cultural interaction among the region's states) for internal advantage. The point is not that Beijing's goals are simply dominance or conquest driven. The presence of a multiplicity of goals that may conflict with one another implies that China must weigh the costs and benefits of pursuing irredentist goals against other desirable goals.[31] The point instead is that as a rational actor, the leadership's behavior is guided by national interest and the goals pursued will obviously fluctuate with the changing current of domestic and international politics.

Beijing has indeed taken advantage of the region's changing nature to further its own position.[32] For instance, Beijing's recent reef grabs in the South China Sea can be attributed to the disappearance of the Soviet factor and the diminishing presence of American troops in Asia. In 1988, Beijing's South China Sea confrontation with Hanoi, which resulted in China taking six Spratly islets from Vietnam, occurred when a Soviet-Vietnamese alliance no longer posed a serious threat to the mainland. America's military withdrawal and declining security commitment to the Philippines in 1992 also enabled China with ease to secretly occupy Mischief Reef in 1995.

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[31] Gilpin 95

[32] Eric Hyer in the "The South China Sea Disputes: Implications of China's Earlier Territorial Settlements," Pacific Affairs 68.1 (1994): 24-54, presents the argument well.

Now, consider the economic and political advantages of territorial integrity. China today is riddled with uncertainties. Localizing problems from within such as income inequality, regional disparity and high levels of corruption threaten China's internal order. Moreover, Beijing's growing problems with ethnic separatism in the regions of Tibet and Xinjiang province endanger national cohesiveness. Threatened by worrisome domestic contingencies the leadership's governing authority has had to shift from an ideological-based to a performance (economic) based entity. In other words, the value of the Chinese Communist Party as a legitimate governing body no longer rests on ideological mobilization, but rather on how effective and economically productive the regime is a political apparatus. One way to heighten waning government popularity is to secure strategies that promote growth. Recall that in addition to maritime resources, there is also the possibility that the South and East China Seas are sitting on top of potentially rich oil deposits. Effective control and use of these resources (maritime or natural) enhances the ability of Chinese leaders to meet their domestic goals or demands by reducing the domestic pressures often associated with internally extracting these resources and thereby increasing the resources available for coercion or compensation.[33] Regaining control of Taiwan for example would not only increase technology, capital and labor-pool expertise available to China, but would also ease the domestic political pressures associated with a state's inability to accumulate and provide these resources.

Moreover, successful vindication of China's past humiliations, especially in relation to territories taken from China, like Taiwan and the Diaoyutai Islands can further enhance the political validation of the Chinese leadership in two proximate ways. First, the glories of redemption will belong to the current leadership, forcing all states to exclusively recognize Beijing as the official proprietor of the areas in questions. More importantly however, territorial integrity reinforces Beijing's intolerance of pro-independence activities in other parts of China.

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[33] Mastanduna 464.

While the Chinese Communist Party (CCP) seeks to assure the security of the existing party state by pursuing carefully calculated economic and political strategies, China's behavior is nonetheless strongly moderated by factors that can go against China's national interest. Beijing realizes that it is structurally dependent on the foreign sector for capital, technology, managerial skills and energy. In regional aspects alone, Japan is one of China's major sources of capital and technology. Taiwan is the mainland's third largest trading partner and an ethnic outreach across the South China Sea makes economic ties with ASEAN states very accommodating. In order for China to sustain economic growth, peaceful relationships with trading partners must essentially be maintained and policies need to reflect development strategies aimed at expanding opportunities for more economic growth and exchange. Because of growing free trade and investment, the economic well-being of China is linked to its commercial and financial ties with other states. As a rational actor, who makes calculated decisions based on the risks or benefits of its actions, Beijing prefers an open and prosperous international trading system since such a system decreases the risk of war among states who do not want to see their trade and prosperity interrupted by war. Thus, it is dangerous for the Chinese leadership to ratify aggressive policies of force over Taiwan or the islets in the South and East China Seas because the negative repercussions sustained domestically could jeopardize the nation's overall development progress and initiate regional fragmentation.

Case Studies

Beijing has indicated on numerous occasions that China opposes all forms of hegemonism and will never in itself seek hegemony.[34] For China's adversaries, the difficulty is determining whether or not this is true. Beijing's objective, to attain sovereignty over disputed territories, reflects as much today as in the past, China's continuing struggle to free itself from and defend itself against imperialism in all its aspects- be it economic exploitation, military invasion or cultural pollution. In order to demonstrate that China's irrendentist strategies are not tied to grander ambitions of hegemonic control, but simply reflect the leadership's search for survival, an examination of Beijing's interests in its three areas will reflect the following chart:

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[34] Reiterated by China's Foreign Minister Qian Qichen on May 1995, regarding China's relations with its neighbors. "Give China 'Time and Space,'" Far Eastern Economic Review 25 May 1995: 30.

China's Ultimate Goal: Survival

D: Diaoyutai; T: Taiwan, S: Spratlys	External Environment	Internal Environment
National Security	D, S, T	S, T
Economic Advantages	D, S, T	D, S, T
Political Validation	D, S, T	D, S, T

More specifically, all three case studies will include a brief description introducing the history of each dispute and the individual sovereignty claims put forth by the other claimant states. Chapter two will compare China's military strength against that of the ASEAN states, as well as examine the prospect of how the South China Sea can potentially improve the China's natural resource reserves and enhance the leadership's political legitimacy. Chapter three will analyze how important Taiwan is for Beijing in political, economic and strategic terms. Questions regarding US involvement, ethnic separatism and regional fragmentation will be raised here. Much the same as in the other two chapters, chapter four will also discuss how control over the Diaoyutai Islands provides the mainland with strategic, economic and political advantages. An additional component of the analysis however, will delve into Japan's changing "China policy" and the benefits of maintaining bilateral economic exchange.

Chapter 2

South China Sea Dispute

The South China Sea harbors a potentially volatile situation directly involving China, Taiwan, Vietnam, the Philippines, Malaysia and Brunei; and indirectly involving the United States, Japan, and remaining South East Asia. The potential dispute is, in sum, about the sovereignty, strategic importance and economic vitality of two relatively large groups of islands scattered about the South China Sea, the Spratly Islands and the Paracel Islands. The Spratly Islands are a collection of two hundred thirty islets, reefs and banks which are spread over 250 000 square kilometers of sea area and contain less than five square kilometers of land. They are claimed wholly by China and Vietnam and in part by Taiwan, the Philippines, Malaysia and Brunei. The Paracel Islands on the other hand, claimed by Vietnam and China constitute an archipelago complex of some fifteen islets and about a dozen reefs and shoals. Politically, what makes these disputes especially explosive is that they are perceived as challenging the integrity of the nation-states involved, particularly the strength and effectiveness of their leaders.[1] The strategic importance of these minuscule islands resides in the reality that they sit astride sea routes that direct twenty-five percent of the world's supertankers. The economic value lies in the resource base of the islands, which is rich and varied, containing bountiful supplies of fish and vegetation as well as possibly large quantities of oil, minerals and natural gas reserves.[2]

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[1] Mark J. Valencia, China and the South China Sea Disputes ADELPHI Paper 298 (Great Britain: Oxford UP, 1995) 6.

[2] A 1995 study by Russia Research Institute of Geology of Foreign Countries estimates that the equivalent of six billion barrels of oil might be located in the Spratly Islands area, of which seventy percent is possibly natural gas. China's own media outlets have referred to the South China Sea as the "second Persian Golf" and some Chinese specialists have asserted that the South China Sea could contain as much as 130 billion barrels of oil and natural gas. For more information see: "South China Sea Dispute: Prospects for Preventive Diplomacy," United States Institute of Peace 11, online, internet, 11 Nov.1997. In terms of maritime resources, the area is rich in fishery. It was estimated

Beijing is not the only nation taking an active approach in engaging the development of the area's resources and erecting functional structures. Aside from Brunei, claimant states have all demonstrated sovereignty over their islets by building lighthouses, erecting military fortifications and constructing transportation facilities such as piers and airstrips. Yet, it seems that regional actors worry most about Chinese activities in the South China Sea. Why is this so?

A leading source of apprehension for many Asian states is that they recognize how powerful China is becoming, in both military and economic terms. China's foreign trade grew more than 16% per year from 1978 to 1994 and foreign direct investment inflows into China reached almost US $26 billion[3]. The result of such an increase in economic growth is the subsequent availability of resources allotted to military procurement. From 1995 to 1996, China's military expenditures grew from an estimated US $33 billion to US $35 billion.[4] Although the bulk of China's modern weaponry comes from the decrepit military supply of the Russian Republic, nonetheless anxieties run high because it seems to some that as China becomes more powerful, it increasingly appears willing to absorb regional and international backlash in order to pursue its irredentist interests.

An additional aggravation for the claimants involved concerns China's lack of transparency regarding its intended behavior in the area. In typical fashion Beijing expresses a willingness to discuss the issues with the other claimants, preferably in a bilateral setting, but then in the presence of opportunity has aggressively and subtly strengthened its foothold on specific islets. In 1974, 1988 and 1995 Beijing respectively occupied Vietnamese and Filipino islands. In 1989, Indonesia offered to host talks aimed at preventing further conflict in the South China Sea, such as the one experienced between China and Vietnam in 1988. The first annual Indonesian-hosted Workshop labeled "Managing Potential Conflicts in the South China Sea" took place in 1990. The purpose of the workshops was to bring the claimant countries together

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that in 1980, 2.5 million tons of fish were harvested from the waters around the islands. Michael G. Gallagher, "China's Illusory threat to the South China Sea," International Security 19.1 (1994): 171.

[3] Christopher Layne, "A House of Cards," World Policy Journal (Fall 1997): 81.

not to discuss their conflicting claims of sovereignty but rather to discuss non political issues such as the environment, navigation and marine research. Yet, some believe that in almost seven years exchange, Beijing has never openly defined its objectives in the disputed area. In fact, even the Law of the People's Republic of China on its Territorial Waters and the Contiguous Zones, passed in 1992, does not specify what China actually claims in the contested area.[5] While Beijing has always offered to conduct joint expeditions or undertake joint projects with the other claimant states, the reality is that China has unilaterally sold concession rights to foreign companies, first to Crestone in 1992 for example and then again to Phillip Petroleum in 1997.

Therefore, as a starting point in understanding what dynamics drive Beijing's South China Sea policy this case study provides abundant examples of how China has acted according to different motives at different times. In order to understand how sovereignty over the South China Sea serves China's national interests three queries will be addressed. The first section will introduce the basis for the dispute and examine the sovereignty claims put forth by China and its rivals. Are the claimant-states willing to comprise their claims in order to reach a peaceful settlement of the dispute? An analysis of the military balance between China and its neighbors will follow. Much of how Beijing responds to situations including the tactics used to secure islets in the dispute will be linked to the leadership's assumptions about China's status and power (compared to other states) in the region. Rather than assume the steady expansion of Chinese power in the South China Sea is the product of the mainland's growing military strength, alternate explanations will be presented to explain Beijing's interests in the region. A final discussion will focus on domestic pressures and how they influence Beijing's behavior. What political and economic

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[4] International Institute for Strategic Studies, The Military Balance, 1997-1998 (London: Oxford UP, 1998) 16.

[5] According to this law, the four island groups in the South China Sea are Mainland China's territory and straight datum lines should be used to delimit its territorial waters. In an explanation to the NPC on the Draft law it was stated that Beijing will publish the base points and datum lines of its territorial waters by stages and in groups as specified by the law. See: Hurng-yu Chen, "A Comparison between Taipei and Peking in Their Policies and Concepts Regarding the South China Sea," Issues and Studies 29.9 (1993): 39-40.

(dis)advantages does control over the Spratly and Paracel Islands provide for the leadership?

Genesis of Ownership

China

As one of the principle protagonists in the dispute, China's territorial claims are based on historical grounds of discovery and administration. The government maintains that from as far back as ancient times, the scattered collection of islets, rocks and coral reefs in the South China Sea have always belonged to China. The act of discovery is said to go back as early as the Han Dynasty (206 BC-220) and Chinese scholars argue that by the Song Dynasty (960-1279), their maps already included the Spratlys as part of Chinese territory.[6] Ironically however, China cannot demonstrate the continuous administrative presence required under international law to underpin its claims, but then the same is true for all the other claimants.[7]

China's first documented official claim came years later as apart of the "Convention Respecting the Delimitation of the Frontier between China and Tokin."[8] Signed on June 26, 1887, the Convention inferred that whatever lay to the east of the meridian 108.3'E was to remain part of China and Beijing still insists that the Spratly and Paracel Islands were clearly included in that boundary. Although from a legal perspective evidence supporting China's claims are abstract, Beijing has nonetheless been forthright about its sovereignty over the area and its intolerance of other countries invading or occupying them.

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[6] China's official Guangming Daily newspaper reported how ten years of research proves that the disputed islands belong to China. "After 400 scholars and experts toiled for more than ten years, they obtained innumerable results that proved historically that we discovered and developed the Spartly Islands...the Spratly Islands are a sacred and uninfringeable part of Chinese territory," the newspaper was quoted as saying. Excerpt taken from Ted Sampley, "President Bill Clinton: He's Marching the U.S. Back into Vietnam," Feb./Mar.1996, online, internet, 17 Nov.1997.

[7] Michael Leifer, "Chinese Economic Reform and Security Policy," Survival 37.2 (1995): 48.

[8] This convention was drafted at the conclusion of the Sino-Japanese War. For more details see: Treaties, Conventions, etc. between China and Foreign States (Shanghai, Inspector-General of Customs, 1917), 2nd edition: 934. Cited and discussed in Marwyn Samuels, Contest for the South China Sea (New York: Methuen, 1982) 53.

Taiwan, Vietnam

Analogous to China, Taiwan's South China Sea claims are also based on the same historical evidence of Chinese discovery and administration. During World War II, Japanese naval and infantry units moved in and occupied the islands. Following Japan's defeat in the war, in December 1946 the Kuomintang government sent a naval contingent to recover the Spratlys. A garrison was subsequently left on the largest island of Itu Aba and in effect the Republic of China became the first country to occupy an island.

Prior to Vietnam's reunification, the governments of North and South Vietnam held different views regarding ownership over the archipelago. China and Taiwan's absence at the signing of the San Francisco Peace Treaty in 1951 enabled Vietnam to use the Forum as a platform to confirm its right over the islands.[9] In direct contrast, on September 14, 1958 North Vietnam's Premier Phan Van Dong, sent a diplomatic note to Zhou EnLai stating that the government of the Democratic Republic of Vietnam recognized and approved the PRC government's declaration that the Spratly and Paracel Islands were Chinese territory.[10] It was not until after Vietnam unified in 1975 that the government began to officially assert its claim over the Spratly and Paracel Islands.

Historical citations of early Vietnamese occupation date from 1862 and 1865 when cartographic surveys of the South China Sea illustrated the islands as part of

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[9] Upset that it was not included in the discussion, China renegotiated a separate treaty with Japan. Provisions in Article 2 of the 1952 Sino-Japanese Peace Treaty stated the "Treaty of Peace with Japan signed at the city of San Francisco in the United States of America on September 8, 1951, Japan has renounced all right, title and claim to...the Spratly and the Paracel Islands." [See: United Nations, Treaty Series, 138.48 taken from Samuels 79.] Irrespective of China's agreement with Japan, the Vietnamese government continues to use the San Francisco Peace Treaty as evidence to enforce its territorial claims.

[10] Lijun Sheng, "Beijing and the Spratlys," Issues and Studies 31.7 (1995): 22.
On June 1977 China's Vice-Premier Li Xiannian asked Vietnam's Premier Phan Van Dong to recall that Vietnam had supported Beijing's claims as early as 1958 and as recently as 1974. The Vietnamese Premier pointed out that it was a "matter of necessity" that Vietnam support China's claims, particularly since North Vietnam needed China's support during their war with the United States. Beijing, the Premier stressed must understand Hanoi's previous position in the "context of the historical circumstances of the time." See: "Eric Hyer, "The South China Sea Disputes: Implications of China's Earlier Territorial Settlements," Pacific Affairs 68.1 (1994): 36-37.

Vietnam.[11] Furthermore, Vietnam seeks to inherit a tenuous French connection dating from a formal annexation in 1933.[12] Since the government believes they are the proper heirs of French-Indo China, they refuse to compromise their position and insist that both groups of islands rightfully belong to them. Most recently, an official Vietnamese newspaper reiterated Vietnam's claim that "at least since the 17th century, these two archipelagos had become an inseparable part of Vietnam's territory."[13] China's attempt of using "decades-old international accords" to back up their claim, the newspaper stated, was nothing more than Chinese authors attempting to rewrite history in their favor.

Philippines, Malaysia, Brunei

Claims by the Philippines, Malaysia and Brunei are based primarily on unilateral interpretations of UNCLOS (United Nations Convention on the Law of Sea).[14] From a historical viewpoint, the Philippines claimed the islands in 1956 after a Filipino navigator, Thomas Cloma, landed on some of the Spratly Islands and asserted ownership by reason of "discovery and occupation."[15] In a presidential decree issued on June 11, 1978, citing reasons of history, indispensable need and effective occupation, the Filipino government lodged a legitimate, official claim over the islands.[16] But with the passing of UNCLOS in the early eighties the government modified its decree. More emphasis was placed on the Philippines close geographical proximity to the Spratlys, including how the islets strategic position could effectively balance Taiwan's military presence on the Itu Aba.

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[11] Gallagher 173.

[12] Leifer 48.
France asserted official claim over the Paracels in 1931 and a few years later in 1933, they announced the occupation of nine Spratly islets. French presence lasted only until 1939 when Japanese naval and infantry units moved in and occupied the islands during World War II.

[13] "Vietnam Says China's Rewriting History Over Spratlys," CNN 20 Nov.1997, CNN Interactive, online, internet, 20 Nov.1997.

[14] UNCLOS was agreed on in 1982, and came into play on November 16, 1994. UNCLOS stipulates the contiguous zone, exclusive economic zone (EEZ) and continental shelf all begin at the seaward limit of the territorial sea. The contiguous zone may extend to a maximum distance of 24 nm from the baselines and the EEZ may extend to a maximum of 200 nm from the baseline.

[15] Thomas Cloma named the island group Kalayaa or "Freedomland."

[16] Sheng 23.

Malaysia entered the dispute on December 21, 1979 when a map it published showed the southern half of the Spratly Islands as part of its continental shelf. The government argues that UNCLOS gives it the legal right to claim sovereignty over the islands because the islands are but a mere extension of Malaysia. Like Malaysia, Brunei's claims also rest on UNCLOS. As the last country to enter the dispute in 1984, the government insists the Spratlys are also part of its continental shelf, and thus naturally part of Brunei. While recent studies show that Vietnam occupies twenty-one islands, islets or reefs; China eight; the Philippines eight; Malaysia four and Taiwan one, Brunei has yet to occupy any of the islands.

Assessing China's External Environment

Realist theory fundamentally depicts international politics as a competitive realm. Since the system is depicted as anarchic, maintaining a sense of security or ensuring survival becomes a state's primary objective. Therefore, the first concern of states is not to maximize power, but to maintain their positions in the system.[17] In reference to China, the collapse of the bipolar system changed Beijing's position in the regional order. Unprecedented transitions including the disappearance of the Soviet factor, reduced US troops in Asia particularly the withdrawal of US navy facilities from the Philippines, the growing strength of ASEAN or the revised US- Japan defense agreement—impacted China's assessment of its place in the system's distribution of power. Much of Beijing's movement in the South China Sea is, and has been, largely determined by the geo-strategic structure of the pacific area. Even since the early seventies, the structural make-up of the region either encouraged Beijing to maximize its territorial gains or discouraged Beijing from pursuing self-defeating strategies.

Beijing's concern with the possibility of a North Vietnamese drift towards the Soviet Union drove China to claim authority over the entire Paracel archipelago in January 1974. The Sino-Vietnamese clash, in which China aggressively took the islands in the Crescent group from South Vietnam,[18] has been described in sum as a Chinese attempt to prevent Soviet use of the islands.[19] At that time the Crescent Group was still in the hands of the floundering Saigon government and could be seized at little cost before the regime fell to Hanoi. With North Vietnam already moving toward the USSR, in little time the Soviets could easily establish a presence on the islands and in effect tighten their encirclement of China. On the other hand, if the islands were under China's control, the Soviet naval threat to China's vital southeast coast would be pushed several hundred miles to the south.

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[17] Kenneth Waltz, Theory of International Relations (Berkley: U of California, 1979) 126.

Once China consolidated its authority over the Paracels, Beijing advanced further south to the Spratlys. In 1988, sensing the probability of minimum intervention, China again exhibited opportunistic behavior. By this point in time, Vietnam was experiencing an economic crisis. Furthermore, Soviet support was lacking because the USSR's was experiencing its own economic decline and turbulent domestic situation.[20] The second most vivid confrontation between China and Vietnam occurred on March 14 when Chinese and Vietnamese navies clashed at Johnson Reef. A possible showdown had been festering since January when China, in the guise of setting up sea-level weather research stations, took control of six islands in the Spratly group. A brief naval engagement ensued and China emerged victorious.[21]

The 1988 clash at Johnson Reef was China's last actual military confrontation with Vietnam. As a new member of ASEAN, Vietnam has gained a sense of security through its membership with this regional institution. In an effort to demonstrate ownership, Beijing's activities of the past decade have focused more on attempts to occupy the islets, either through building structures, establishing markers or granting oil concessions.

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[18] At the end of the skirmish, forty-eight South Vietnamese soldiers were captured and a patrol boat was sunk.

[19] John W. Gaver, "China's Push Through the South China Sea. The Interaction of Bureaucratic and National Interests," The China Quarterly 132 (1992): 1001. Gaver presents a good discussion explaining Beijing's motives for wanting to control the Paracel Islands.

[20] The war in Cambodia drained Vietnam and its Soviet patron economically, militarily and diplomatically. China's deployments along the Sino-Vietnamese border and its military assistance to the Khmer Rouge led not only to the decay of the Vietnamese economy, but also placed a heavy burden on the declining Soviet economy. See: Andrew J. Nathan and Robert S. Ross, The Great Wall and the Empty Fortress (New York: W.W. Norton and Company, 1997) 105.

[21] In the end approximately seventy people died after Chinese forces succeeded in sinking two Vietnamese gunboats.

Similar assessment tactics were used with Philippines. In the early seventies the Philippines showed interest in the Spratly Islands and dispatched troops to occupy three islands. By 1974, Manila announced the occupation of another five islands and by1978 stationed at least a thousand Filipino marines on them to back up its claim.[22] During this time, the Chinese government acknowledged its claims over the islands, but the Philippines were never denounced or militarily confronted. China tolerated the Philippine's active occupation of the islets and reefs because it was important for them to gain the camaraderie of the Filipino government in the "anti- Soviet" front. This was not the case however, a few decades later.

On February 2, 1995, the Philippines sent a patrol ship and reconnaissance aircraft to Mischief Reef[23] to verify a report that Chinese forces were building a military barracks on the islet. The discovery was a shock to Manila, who up until then had never been in direct conflict with Beijing over any of the islands. It was Manila's impression that Chinese naval presence and its construction activities may have lasted several months, but weren't spotted earlier because of the lack of boats the Philippines have to patrol all the waters it claims.[24] US military withdrawal from the Subic Bay naval base in the Western Philippines, in 1992, enticed Beijing to take advantage of the situation especially since America's declining security commitment to the Philippines decreased the chances of US involvement or support.

Manila promptly objected China's presence in its area and subsequently removed or destroyed the several makers and floating buoys set up by China on the six reefs and shoals. In their defense, the Chinese said low-level functionaries acting without the knowledge and consent of the Chinese Government ordered the occupation of Mischief Reef.[25] But, on April 25, 1997 Chinese ships were again spotted by Filipino troops on Kota Island.[26] Defense Secretary Renato de Villa said aerial photos showed three ships had gun decks and one was capable of carrying a helicopter.[27] By the first week of May however, China had withdrawn the vessels.

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[22] Sheng 24-25.

[23] Claimed by the Philippines as part of the Kalayaan island group.

[24] The Philippines has the weakest navy in ASEAN. With the pullout of US forces from Subic Bay and Clark Field, the Philippines already inadequate navy has an even greater responsibility placed on it.

[25] Frank Ching, 'Manila Looks for a Slingshot," Far Eastern Economic Review 9 Mar.1995: 40.

China's clandestine occupation of Mischief Reef or annexation of the Vietnamese islets serves to illustrate how Beijing at least works to secure its presence in the area. While the above examples can easily be used to negatively depict China as an aggressor nation, in my opinion these examples tend to confirm Beijing's rational evaluation of a system's structure that can constrain, serve to reward or penalize them. In a self-help system, units worry about their survival, and this worry conditions their behavior.[28] Since China worries about the possible division of gains that may favor others more than it may favor itself, when the currents of its external environment shift to its advantage, it will seize those opportunities to secure its interests. If China (or any one claimant state for that matter) gives up its South China Sea claims, it runs the risk that its competitor will seize the opportunity to in turn increase its gains, subsequently placing the former claimant- state's existence and vital interests in jeopardy.

Military Growth

Much has been said about China's recent military procurements and in its ability or inability to win an armed military confrontation over the Spratlys. In assessing the validity of such suppositions, we need to consider why China has or would engage in these kinds of activities? Beijing maintains that China's military spending grows out of a need to modernize its defense forces. But, it also grows in response to the quantitative increases and qualitative improvements in the military capabilities of surrounding nations. Aside from China, many other Asian countries are actively acquiring sophisticated military hardware. Drawing reference from the realist's "security dilemma" paradigm, when one state arms, it makes its adversary feel less secure by reducing the adversary's ability to defend itself. The adversary then buys additional arms in order to restore its military capabilities. Unfortunately, the state's military build-up (assuming is pursued for reasons of security rather than greed) can change an adversary's belief about the state's motives. In the end, states spend a lot of time estimating one another's capabilities, especially their ability to do harm. While it is clear that Asian neighbors see China's rapidly growing defense budget as a danger, particularly since there is a lack of figures indicating the real extent of how much spending has increased, Beijing in turn is cognizant of the rising defense expenditures and military build-up of regional neighbors.

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[26] Kota Island is one of eight islands in the Spratly chain claimed and occupied by the Philippines.

[27] Oliver Teves, "Chinese Naval Ships Ignore Protest, Stay at Spratly Islands," 1 May 1997, online, internet, 20 Oct.1997.

Comparing China's naval and air forces to those of selective Asian countries, it would initially appear that China is very capable of winning any armed confrontation over the Spratlys. It has the world's third largest navy and largest standing army of 3 million soldiers.[29] Continually upgrading its military resources, it is in the process of purchasing 4 Kilo-class submarines, as well as advanced fighters. It is also interested in acquiring an aircraft carrier. Yet, even before China can purchase an aircraft carrier and despite an imposing collection of fighter and attack aircraft, Chinese air and naval air forces must still resolve significant problems—including range, aircraft maintenance and training—in order to ensure air superiority or provide reliable tactical air support for naval units near the Spratlys.[30] Furthermore, to the south of China a host of rising second and third tier Asian powers, best identified by their rapidly growing economies, are also placing higher priority on increasing air and naval capabilities in order to defend their maritime strategic interests.[31] In fact, the combined defense spending of the nine existing and prospective ASEAN member-states amounted to over $19 billion in 1996.[32] According to international studies, from 1985 to 1994, Singapore increased its military expenditure 91 %, the Philippines 37 %, Thailand 35 % and Taiwan 31%.[33]

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[28] Waltz 105.
[29] See: Table 2-1on next page.
[30] Felix K. Chang, "Beijing's Reach in the South China Sea" Orbis 40.4 (1996): 357.
[31] See: Table 2-2 on pages 28-29.
[32] See: Table 2-3 on page 29.
[33] Pierre-Antoine Donnet, "China Threat Spurs Asian Arms Race," Agence France Press 3 Feb.1996, online, nexis, 19 Mar.1998.

Table 2-1: Military Manpower 1985, 1992-95

Armed Forces (thousands)	1985	1992	1993	1994	1995
Brunei	4	5	4	4	5
China	**3 900**	**3 030**	**3 030**	**2 930**	**2 930**
Indonesia	278	283	271	276	275
Japan	243	246	238	238	240
Laos	54	37	37	37	37
Malaysia	110	128	115	115	115
Philippines	115	107	107	107	107
Singapore	55	56	56	54	54
Taiwan	444	390	442	425	376
Thailand	235	283	295	256	259
Vietnam	1 027	857	857	572	572

Source: International Institute of Strategic Studies, The Military Balance, various years.

On land and in most military regions, the PLA has created *Rapid Reactions Units*, or *"First Units."* These "elite" groups of soldiers are apparently "better equipped, more mobile and can [effectively] respond to regional or internal crises if needed" (qtd. in Karmel 1: 376). Even if we assume that these better-coordinated units will dramatically increase the effectiveness of different army branches, and we even consider how China's standing army from 1985-95 was reduced by 25%, this still leaves well over two million soldiers in the standing army "with aging weapons and an unclear mission."[34] In fact it is highly possible that the draining costs imposed by such a massive troop base will render further modernization of other divisions of the armed forces increasingly difficult.[35]

Table 2-2: Naval and Air Forces: China and Selected ASEAN Countries 1993-94

	Combat Aircraft	Large Warships	Patrol Craft (SSM)	Submarines
China	5000	54	860 (207)	46 + 5 SSN
Malaysia	69 + 6 armed helos	4 frigates	37 (8)	0
Singapore	192 + 6 ---	6 corvettes	24 (6)	0
Indonesia	81	17 frigates	48 (4)	2
Vietnam	185 + 6 ---	7 frigates	55 (8)	0

Source: Compiled from International Institute of Strategic Studies, The Military Balance 1993-94 (London: Oxford UP 1993) 145-165.

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[34] Solomon M. Karmel, "The Maoist Drag on China's Military," Orbis 42.3 (1998): 379.
[35] Karamel 379.

Notes: Aircraft totals include naval air forces; patrol craft include gun and torpedo boats; SSM= Surface-to-Surface Missiles, SSN= attack submarines.

While China's current inventory of 5000+ aircraft and 900+ navy warships and patrol crafts (including 51 submarines) may sound impressive, in reality much of this equipment is derived mainly from obsolete Soviet designs of the 1950's. In fact, the Chinese themselves characterize their airforce as inadequate: "Our airforce has developed over several decades, but the plane models are old, the machinery incomplete, and the fighting power limited to the point that we have fallen behind world standards" (qtd. in Karmel 1: 379).

Table 2-3: Military Expenditures 1987-1996
Figures are in local currency, current prices

State Currency	**Brunei** m.B.dollars	**China** b.yuan	**Malaysia** m.ringgits	**Philippines** m.pesos	**Taiwan** b.T.dollars	**Vietnam** b.dong
1987	220	21	3 611	10 186	149	103
1988	359	22	2 241	14 906	160	792
1989	363	25	2 761	15 907	188	2 047
1990	419	29	3 043	14 707	211	3 319
1991	-	33	4 323	15 898	227	4 292
1992	-	38	4 500	17 461	239	3 730
1993	-	43	4 951	20 130	255	3 168
1994	-	55	5 367	23 271	257	4 730
1995	-	63	5 980	27 793	265	-
1996	-	75	7 176	30 183	273	-

Source: Stockholm International Peace Research Institute, SIPRI Yearbook 1997 Armaments, Disarmament and International Security (Oxford: Oxford University Press, 1997) 191-192.

As a unit in an anarchic system, China spends a portion of its efforts, not so much "in forwarding its own good, but in providing the means of protecting itself against others."[36] A product of the competitive conditions of the system, China's military procurements are intended to balance rather than significantly offset the area's configurations of power. Nevertheless, because the process of upgrading military capabilities is both unceasing and drawn-out, Beijing can obtain a more immediate sense of security by simply controlling the South China Sea. In other words, the importance of the South China Sea is the benefits its location can provide for China. Lying between the Indian and Pacific Ocean, the Spratly and Paracel Islands draw the mainland closer to ASEAN countries. Chinese occupation of the islets could thus enhance Beijing's regional power and influence in a variety of ways. Chinese control of the waterway would enable Beijing to potentially block hostile naval forces from approaching southern ports. Even Beijing's biggest adversary --the United States for example, which relies on the South China Sea as a transit point and operating area for their Navy and Air Force units between military bases in Asia and the Indian Ocean and Persian Golf could find its maneuvering capabilities impaired. Moreover, as a commercial waterway, the South China Sea carries resources from the Middle East and Southeast Asia to Japan, Korea, and Taiwan. [37] Therefore, the potential for an occupying force to monitor and perhaps disrupt shipping and air traffic from bases on the islands is another important consideration.[38] Chinese control of critical shipping lanes for instance, could seriously jeopardize Japan or Taiwan's economic lifeline.

Assessing China's Internal Environment

The Chinese Communist Party's legitimacy to rule as an effective governing body is tied both to its ability to produce economically and to achieve territorial integrity. From the onset of the reforms, one of the government's primary objectives was to promote strategies aimed at nurturing an active and steady inflow of capital and technology into China. Over the years, what has happened however is that the leadership's governing authority shifted from an ideological-based to a performance-based (economic) entity. The following sections will therefore explain how control over the South Sea China can serve Beijing's legitimacy crisis.

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[36] Waltz 106.

[37] United States Institute of Peace 3.

[38] Samuels 4.

Political Legitimacy through External Extraction

The economic value of the South China Sea lies in the prospect of developing and profiting from its resources: maritime and oil. Since the leadership's legitimacy rests so heavily on ensuring economic prosperity, the accumulation and transfer of key resources from outside China's boarders to domestic society has its advantages.[39] First, by securing external access to scarce resources Beijing can reduce the internal extraction of these resources, in turn easing the domestic political pressures often associated with this latter strategy. Moreover, "the effective use of external extraction [can enhance] the leadership's ability to meet their domestic goals by increasing resources available for coercion or compensation."[40] In other words, the greater the challenges confronted by Chinese State officials to their power and authority, and the more compensatory resources made available for their use, the more they can use these resources to co-opt or coerce challengers and reward supporters.

Potential extraction from the South China Sea makes the area very attractive to all the actors involved. As one of the world's richest marine and coral reef systems and fishing grounds, it helps feed countries from China to Brunei. At least 13 nations exploit its fisheries, helping account for ASEAN'S $1 billion US in fish exports.[41] Even so, China is the world's largest fish producer. Considering the widespread depletion of fishery resources, complete sovereignty over the area would legitimate the leadership's ownership and management of the area's resources.

Actually, China's lack of and eventual need for critical resources leave the Chinese pushing to control the whole area. In recent decades, China's rapid economic growth has subsequently produced greater increases in the consumption of energy.

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[39] For a broader explanation of the theory of "external extraction" see Michael Mastanduna, David A. Lake and G. John Ikenberry, "Toward a Realist Theory of Action," International Studies Quarterly 33.4 (1989): 462-465.

[40] Mastanduna, Lake and Ikenberry 464

[41] Johanna Son, "Asia-Environment: Greens Want Spratlys Declared a Marine Park," Inter Press Service, 17 Apr. 1995, online, nexis, 19 Mar.1998.

Behind the United States, China is now the second largest energy consumer. Domestic demands for oil have currently outpaced oil production levels on the mainland and as of 1996, China imported almost 0.5 million barrels per day. Although China began conservation efforts in 1979, the process is significantly slowed down by outdated and inefficient equipment, overuse of capacity, uneven resource development and price irrationality.[42] Solutions to the problem of China's demand for energy are thus a mixture of old imperatives: diversification of supply, *development of strategic reserves and an ongoing search for new domestic resources* and innovative new commercial approaches to overcoming resource constraints.[43]

In 1988 and 1989 in the midst of China's push into the Spratlys, *Jiefangjun Bao* carried a series of articles stressing the economic importance China's maritime territories had on long-term economic development. Pointed out in the articles were the growth factor of global population and the corresponding depletion of land-based resources:

> In order to make sure the descendents of the Chinese nation can survive, develop, prosper and flourish in the world in the future, we should vigorously develop and use the oceans…The [Spratly] Islands not only occupy an important strategic position, but every reef and island is connected to a large area of territorial water and an exclusive economic zone that is priceless (qtd. in Garvers 1019).

To Beijing's relief, a 1989 Chinese survey on the Spratly's indicted that the sea floor contained 25 billion cubic meters of natural gas, 370 000 tons of phosphorous and 105 billion barrels of oil reserves. It was calculated that the James shoal area alone contained another large deposit basin with an estimated 91 billion barrels of oil.

Although actual oil exploration in the region has thus far been disappointing, Beijing has nonetheless taken an active approach to secure potential interests. In May 1992, Beijing announced that it had signed a contract with a US oil company, Crestone Energy Corporation. Crestone had been granted the right to look for oil near a Vietnamese oil field or according to Vietnam, within Hanoi's declared 320-

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[42] Valencia 16.

[43] Daniel Yergin, Dennis Eklof and Jefferson Edwards, "Fueling Asia's Energy Crisis," Foreign Affairs 77.2 (1998): 36.

kilometer continental shelf.[44] Included as part of the agreement, was an assurance by Chinese officials to Randell C. Thompson, president of Crestone, that in case of an attack by outside countries, the Chinese navy would protect the operation.

In July1994, Beijing did send two ships to stop supplies from reaching an oil-drilling operation begun by Petro Vietnam[45] in an area off Vietnam's coast, called Vanguard Reef. A statement issued by the Chinese government reprimanded the drilling as "illegal," although Vietnam immediately rejected the validity of the statement. Not surprisingly the area, located about 60 nautical miles from Vietnam and 660 nautical miles from China, lay within the 25 155 kilometers concession area Beijing subsequently granted to Crestone. China called for Vietnam to stop its acts of infringement, particularly since the explorations seriously jeopardized China's contract with Crestone. The fact that China reacted so quickly to protect its strategic interests and stake in the development of the region's resources, clearly demonstrates the importance and value the area holds for the leadership.

Political Legitimacy, Nationalism and Vulnerability

The second of Beijing's motives for pursuing the Spratly Islands encompasses issues of nationalism and internal validation. Gaining the recognition for bringing about territorial integrity is an exceptionally powerful means to help the leadership legitimize its political power base and protect its survival as a political entity.

In 1949, the Chinese Communist Party under the direction of Mao ZeDong unified China. What's more, the CCP put an end to and protected the Chinese people from direct foreign oppression and exploitation, as was the case during the period from 1840-1949.[46] Regardless of the mistakes made by the leadership since reunification, the Chinese government has nevertheless maintained China's sovereignty and independence; an achievement previous rulers failed to accomplish. Thus, the issue of wanting to achieve absolute sovereignty over the two archipelagos in the

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[44] For more information see: Nayan Chanda, "Treacherous Shoals," Far Eastern Economic Review 13 Aug.1992: 14-17.

[45] Petro Vietnam is the country's state run oil company.

[46] Qingguo Jia, "Economic Development, Political Stability and International Respect," Journal of International Affairs 49.2 (1996): 577.

South China Sea is largely an extension of national pride expressed by the desire to redeem the humiliations suffered in the past by achieving territorial integrity.

Despite some drastic changes in China's domestic and international state of affairs, the basic premise of China's foreign policy has consistently reflected this desire: to recover territories that were robbed from China during the tumultuous time of foreign invasion and exploitation. The notion that the South China Sea is and has always been part of China is so embedded in the Chinese psyche, a settlement could only improve the public's perception of the current leadership's capacity to rule as a productive governing body. At a time when communist ideology has lost its appeal in China altogether and national pride seems to be replacing socialism as the preferred societal glue, the leadership's renewed emphasis on territorial integrity serves to promote and strengthen these ultra-nationalistic sentiments.

The Chinese government has said that it wants to avoid actions in the South China Sea that can damage relations and disrupt regional peace. Beijing has made it clear that it will not compromise its position as sole sovereign over the islands, but is willing to work with the other claimant-states to jointly develop the area. The Philippines, Vietnam, Malaysia and Brunei do not contest the idea of joint development. The challenge they face however is that they advocate resolving the Spratly, Paracel issue through multilateral forums, while China would rather resolve the issue through bilateral consultations. Past events have shown how China has often acted unilaterally to strengthen claims and then issued statements calling for all sides to cooperate so relations may be strengthened and regional peace promoted. When in May 1996, Beijing expanded the area of sea under its jurisdiction from 37 000 thousand square kilometers to some 1.16 million square kilometers, Vietnam and the Philippines vehemently protested, while other ASEAN members expressed concern that the action was "in violation" of the 1982 UN Convention. Legally, the UN Convention does not allow continental countries-like China- to put 200-mile zones around their islands or to own the sea between such islands and their main coast.[47] As a result, the belief is spreading that China does not really intend to compromise and is simply stalling. Yet, despite displays of ownership and increased military spending China is unlikely to engage in any significant use of force to pursue its agenda in the South China Sea because the mainland's dependence on outside capital and technology suggests a continued need for peace and stability.

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[47] Only archipelago states, such as the Philippines, may do that. See: "Sea of Troubles," The Economist 25 May 1996: 37.

China is becoming an increasingly important trading partner for many South East Asia states. The trade volume between China and ASEAN increased from $US 3.35 billion in 1986 to $US 20.395 billion in 1996.[48] Moreover, by the end of 1996, China had approved 12, 342 ASEAN investment projects in China and by the first half of 1997, ASEAN countries had already invested in 596 projects on the mainland. Even if China appears willing to absorb short-term economic costs in order to pursue territorial integrity, there are two additional constraints the Chinese government needs to consider. Firstly, political and economic leaders in the Southern provinces strongly favor expanding trade and investment links with South Asian states. China's coastal and border provinces which already have strong economic and trade links with South East Asian countries are likely to press the central government not to use military force in region. Secondly, China's biggest allies and most sympathetic states are those from South East Asia with large Chinese populations such as Malaysia, Singapore and Thailand. For example, Lee Kuan Yew of Singapore is China's strongest advocate, arguing against those in the West who press China on human rights and trade issues. Malaysia's Prime Minister Datuk Seri Mahathir Mohamad also has argued for us "to stop seeing China through the lens of threat and to fully view China as the enormous opportunity that it is."[49] Military conflict initiated by Beijing in the area could ultimately leave the mainland increasingly isolated and lacking any kind of support, domestic and international.

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[48] He Kai, "Looking Back and to the Future of China-ASEAN Relations," Beijing Review 23 Feb./ Mar.1998: 6.

[49] Nayan Chanda, "Fear of the Dragon," Far Eastern Economic Review 13 Apr.1995: 25.

Conclusion

The underlying issue in the Spratly and Paracel Islands dispute lies in each state's desire to achieve partial or exclusive sovereignty over the islands in order to benefit from the fruits of a much larger maritime jurisdiction. While individual contesting claims were examined, this analysis primarily focused on China's long term objectives in the South China Sea. Laid out in the introduction were three queries that now examined help demonstrate how Chinese decision-makers seek an optimal compromise between enhancing their security and pursuing specific economic and ideological goals.

Strong feelings of territorial violation combined with a strong national imperative to control potential resources, marks the significant importance and explains Beijing's reluctance to accede control over the Spratly and Paracel Islands. What makes this dispute particularly interesting is that it captures the fusion of China's internal and external objectives. Foremost, control over the archipelago can strengthen China's ability to project its presence deep into South East Asia, as well as prospectively increase public support on the part of China's domestic groups to accept the current leadership as the nation's governing authority. Furthermore, there is the prospect of controlling and using the area's fishing resources or oil and gas reserves as compensatory tools to enhance the leadership legitimacy, which has shifted from an ideological-based to a performance-based entity.

Externally, the rapid and fairly consistent economic growth rates of regional actors influenced the distribution of power capabilities among Asian states, subsequently creating systemic change. Overall, regional increased military spending affects China's power relative to other actors, particularly since the growing wealth and willingness of Beijing's maritime rivals to invest in their own military modernization programs respectively diminishes the military advantages China may hope to quickly achieve. Therefore, whoever controls the South China Sea is strategically poised to control trade routes and establish staging points for effective offensive or defensive maneuvering capabilities against potential rivals. At the same time however, the extent to which China can or is willing to aggressively invade and occupy the islands is minimal because Beijing recognizes the importance of ASEAN investment and support.

Chapter 3

Taiwan

The interplay between the external and internal constraints that shape China's irredentist strategies is complex. Setting aside the mechanics of China's military modernization program, we accept that with the wealth generated by economic liberalization, China has embarked on a program to modernize its military. Outside apprehension arises however, when Chinese leaders emphasize the continued need for economic reform strategies on the one hand (suggesting a demand for peace and stability), while simultaneously approaching territorial disputes through more aggressive behavior on the other hand. The military exercises carried out by the Chinese across the Taiwan Strait before Taiwan's direct legislative and presidential elections illustrate the case in point. As China's third largest trading partner, maintaining good relations with Taiwan results in an array of economic advantages for the mainland. Yet, a quick examination of the outcome of the missile test crisis illustrates how China's "military diplomacy" did in fact produce negative political and economic repercussions. What emerges is therefore a contradiction between China's development strategies and foreign policy directives: why does China appear increasingly willing to absorb short-term costs in economic interdependence in order to pursue irredentist interests? More specifically, what motivates Chinese policy-makers to pursue risky strategies in relation to Taiwan?

Politically, as part of a campaign to intimidate Taiwanese voters, China's missile threats proved futile. Voter turnout was a remarkable 76.04%, 8.04% higher than what it had been during the parliamentary elections held the year before.[1] Furthermore, the exercises provoked the foreign intervention that China is always warning against and confirmed the likelihood of US involvement if China ever did take

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[1] "ROC Elections'96," KMT Newletter 11 (1996), online, internet, 1 Feb.1998.

Taiwan by force. Not only did the US mobilize two aircraft carriers to pass through the Taiwan Strait as a deterrent,[2] but the US Defense Department notified Congress of its plans to sell US$420 million worth of Stinger missiles, launchers and related equipment to Taiwan.[3] Fortunately for Beijing, its regional neighbors were cautious in how they approached the situation; prudent not so much because they wholeheartedly support China's view that the Taiwan-issue is an explicitly Chinese domestic matter, but because they hoped to avoid a confrontation. Unfortunately for Beijing, Washington and Tokyo reacted to China's actions and ambiguous intentions in the Pacific region by initiating revisions to Japan's post-WWII military alliance with the US.

Economically, China's offshore missile tests disrupted the financial exchange between China and Taiwan. Taiwan's Minister of Economic Affairs, P.K. Chiang, confirmed that Taiwan's economic performance suffered in the first four months of 1996 from the impact of China's military exercises. The lack of confidence that emerged resulted in a declining number of Taiwan investment projects on the mainland. Statistics show that the number of mainland investments by Taiwanese businessmen fell to 490 cases, down 48 percent when compared to the 934 cases of the preceding year.[4] In fact, since July 1995 apprehensive Taiwan businessmen withdrew 25 investment proposals worth US$100 million and postponed 121 other projects. The combination of postponed and withdrawn investments would have accounted for 25 percent of already approved mainland investment projects.[5] Further worsening the situation is after the crisis subsided, Taiwan President Lee Teng-hui cautioned Taiwanese businessmen not to be overly reliant on the mainland market. He urged them to bring their businesses further "south" (i.e. South East Asia), where investments would be safer and in turn more profitable.

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[2] Pentagon officials denied the presence of the carriers were to intimidate Beijing and said the warships were en route to Hong Kong for a port call. It was also clarified that one of the carriers, the Nimitz, had been originally scheduled to sail along Taiwan's East Coast but changed course for the Straits because of bad weather. However, the Hong Kong Royal Observatory said there was no record of a tropical storm off Taiwan. For more see: David S. Chou, "The Role of US in Straits Crisis," Free China Journal 3 Aug.1996, 13.29: 7.

[3] Virginia Sheng, "Pentagon Notifies Congress Stinger Sale to Taiwan Due," Free China Journal 30 Aug.1996, 13.33: 1.

[4] "Mainland Investment Down 50%," Taiwan Economic Daily News 27 Apr.1996, online, internet, 20 Dec.1997.

[5] Taiwan Economic Daily News n. pag.

Anxious to block activities that strengthen Taiwan's divergence from Beijing, the exercises were intended to intimidate Taiwan's public and to show China's determination and willingness to fight against Taiwanese independence. Yet, to limit the crisis to historical issues of Beijing wanting to conclude the stagnant civil war between the two sides seriously distorts China's Taiwan objectives. Analogous to the previous South China Sea discussion, China's urgency to push for reunification with Taiwan also reflects a multiplicity of interests and policy calculations among China's leadership. Beijing's growing preoccupation with Taiwanese reunification is as much a contest for economic and strategic advantages as it is an issue of national unity, sovereignty and the territorial integration of China.

A study of China's Taiwan policy will continue our examination into what dynamics drive China's irredentism. The introductory profile of this chapter will include a quick overview of Taiwan's history and outline Beijing and Taipei's separate views on unification. While Beijing sees Taipei as perpetuating political independence from the mainland, Taipei has never officially rejected any notion of eventual reunification with China. The following section will concentrate on understanding why the Republic of China (ROC) is such an important acquisition for China, politically, economically and strategically. Politically, reunification would enhance the leadership's legitimacy, displace Taiwan as Beijing's military rival, and force all states to exclusively recognize the Chinese Communist Party as the official government of the mainland. If for example, Beijing were to grant one of its major territories independence on the basis that they see themselves as culturally distinct, it would set a precedent. Other territories in China such as Tibet or Xinjiang, whose populations already feel alienated, would also want to exercise their right to self-determination. This could translate into political suicide for the Communist leadership because a settlement of independence would be perceived both domestically and internationally, as a sign of weakness, rather than compromise. Strategically and economically, regaining control of Taiwan would increase China's territory, strategic maneuvering capabilities, labor-pool expertise and economic vitality. Yet it so happens that it is also this mutual economic interdependence, combined with possible foreign intervention that would ultimately prevent China from aggressively taking back Taiwan.

Taiwan's History

After being ruled by Chinese dynasties for more than 400 years, Taiwan was occupied alternatively by the Dutch and the Spanish during the seventeenth century. By the end of the century however, Taiwan reverted back to and remained under Chinese control until China lost the Sino-Japanese War in 1895. The resulting Shimonoseki Treaty (April 1895) ceded Taiwan to Japan for fifty years, until Japan was defeated in World War II (1945). In 1949, the Chinese Communist Party forced Chiang Kaishek's Nationalists to flee the mainland for Taiwan, where the latter founded the Republic of China and the former established the People's Republic of China on the mainland.

In 1954 and again in 1958, the Communists tried to take two islands-- Quemoy and Matsu-- from Taiwan, but Nationalist forces successfully thwarted their attempts. Despite their defeat, years later China scored a double victory when in 1971 Taiwan lost its United Nation's seat to China and in 1979, when the United States became the last major country to switch diplomatic recognition to Beijing. Of the two corresponding treaties that emerged, the Shanghai Communiqué (1972) normalized America's relations with China and the Taiwan Relations Act (1979) normalized America's ties with Taiwan.

During the 1980's, the PLA withdrew most of its forces and installations from areas across the Strait from Taiwan[6] and in July 1987 Taiwan initiated the process of liberalization by lifting martial law. It was also at this time, during the late eighties, that China and Taiwan embarked on a cautious path of rapprochement. Beijing and Taipei turned from military confrontation to the cautious promotion of economic interdependence and human contacts.[7] They permitted family visits to and from the mainland and eased restrictions on trade and investment. In 1990, Taipei also took the initiative to set up the Straits Exchange Foundation (SEF) and in 1991 Beijing reciprocated by establishing the Association for Relations Across the Taiwan Straits (ARATS).[8] In May 1991, Lee Teng-hui continued the process of liberalization and renounced the use of force to retake the mainland, in effect lifting a 43-year state of emergency and technically ending four decades of "unwaged" civil war against the mainland.

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[6] Chas W. Freeman Jr., "Preventing War in the Taiwan Strait," Foreign Affairs 77.4 (1998): 8.

In June 1995 the United States granted Taiwan's President Lee Teng-hui's a visa to visit to his Alma Mater, Cornell University. Shortly after, in November 1995 and March 1996, Taiwan held direct legislative elections and its first direct presidential elections. In retaliation against the 1995 elections, China demonstrated disapproval by broadcasting television pictures of the Chinese military test-firing surface to air missiles close to Taiwan. China continued its acts of condemnation in March 1996 to protest Taiwan's presidential elections by not only firing guided missile tests very close to major ports in northeastern and southwestern Taiwan, but the military also carried out mock sea battles, amphibious assaults and blockades.

Beijing and Taipei's Views on Unification

Beijing's initiatives to contain pro-independence forces within Taiwan encompass strategies of economic integration and international isolation. Economically, Taiwan is China's third largest trading partner as well as the mainland's second largest investor (next to Hong Kong). For Beijing, a possible resolution to the dispute rests in nurturing the idea of creating a "greater China" bound together by economic glue. In an effort to further promote economic ties, Jiang Zemin has called for both sides not to allow political differences "to affect and interfere with economic cooperation."[9] By increasing people to people interaction through trade and investment, not only does the leadership hope to make Taiwan more economically dependent on Chinese markets, but this dependence can subsequently be used to bend Taipei toward Beijing's political demands. Aware of and worried about China's tactics, President Lee Teng-hui has repeatedly cautioned Taiwanese businessmen not to become overly reliant on the mainland market and to keep the "growth and development at home so we will not become a people without a base."[10]

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[7] Freeman 8.

[8] Timothy Ka-ying Wong, "The Impact of State Development in Taiwan on Cross-Straits Relations," Asian Perspective 21.1 (1997): 172.

Officially, Taipei views Taiwan and the mainland as separate and politically equivalent parts of "one" China. For them, unification could only occur under conditions of democracy and mutual respect.[11] The Chinese government on the other hand, remains firm in their position that there can either be "one" China (yige zhongguo); "one country, two systems" (liangzhong zhidu); a "highly autonomous region" (gaodu zizhi); or "peaceful negotiation" (heping tanpan). In fact, they consider Taiwan a renegade province and have staunchly reiterated they will not tolerate anything outside this framework. Taiwan's attempts of promoting the idea that Taipei and Beijing are two equal entities by pressing for international recognition, "cannot change the fact that Taiwan is a part of China and its leaders are only leaders of a region of China" reaffirms Chinese Premier Li Peng.[12]

Despite Beijing's demands, in recent years Taipei has been working to expand its "living space" in the international community, as indicated by its campaign to return to the UN and other high profile international maneuvers, including Lee Teng-hui's visit to the US.[13] As of 1995, Taiwan had representative offices in 61 countries and formal commercial ties with 150 countries.[14] To further strengthen its political legitimacy abroad (and in effect gain international support and empathy in respect to its problems with China) Taipei has also worked hard to cultivate memberships in as many regional and international organizations as possible. For instance, Taiwan actively participates in international sporting events such as the Olympics. It belongs to regional organizations including APEC and the Asia Development Bank. It is also connected to international branches like the IMF, WTO and OCED. While Beijing tolerates Taiwan's participation in certain international and intergovernmental organizations, they still will not tolerate Taipei establishing official political and diplomatic contacts. In fact, one of Beijing's diplomatic offensives against Taiwan entails persuading nations--via economic incentives and arm sales-- to switch diplomatic recognition from Taipei to Beijing.[15]

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[9] Susan Yu, "Lee Calls for Cuts in Taiwan Investments on Mainland," Free China Journal 20 Sept.1996, 13.36: 1.

[10] Yu, Free China Journal 1.

[11] According to Taiwan's *Guidelines for National Unification,* China must adhere to certain stages if reunification will ever take place. In the first stage, Beijing must show goodwill by "terminating hostility," "not endangering each others security and stability," and "not denying the other existence as political entity." If Beijing meets these conditions, the second stage will be a phase of trust and cooperation. Beijing must not interfere in Taiwan's participation in international organizations, and in return, Taipei would allow exchanges of visits by high-ranking officials and permit direct postal, transport and commercial links. In the last stage, a "consultative organization for unification" would be established to "discuss the grand task of unification and map out a constitutional system to establish a democratic, free, and equitable prosperous China." See: Christie Su, "Unification Guidelines Not Rigid: MAC Chief," Free China Journal 16 Aug.1996, 13.26: 1. Both President Lee Teng-hui as well as Hsu Hsin-liang, chairman of the opposition Democratic Progressive Party will consider reunification only when and if these conditions are met.

[12] Taken from a statement given by Chinese Premier Li Peng in "Taiwan: In China's Shadow and in International Spotlight," CNN 18 Mar.1996, CNN Interactive, online, internet, 12 Feb.1998.

Assessing China's External Environment

The US Contingent

Very much like the circumstances surrounding the South China Sea, China's recent displays of outward aggression and its uncompromising position regarding the Taiwan-issue are manifestations of behavior influenced by China's present geo-strategic environment. While it is true that Beijing's national security environment has indeed improved in the absence of the Cold War, certain realities still engross Chinese foreign policy makers. On land for example, China boarders 14 states, including Russia, North Korea, Vietnam, Laos, Myanmar (Burma), India, Bhutan, Nepal, Pakistan, Afghanistan, Tajikistan, Kyrgyzstan, Kazakhstan and Mongolia. Aside from the formidable armies of Russia, North Korea and India, China must also contend with those of the US and Japan.[16] In fact one of the most debilitating realities for Beijing is the presence of the United States in the region and the prospect of further US collaboration or intervention in the Taiwan issue.

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[13] Weixing Hu, "China's Taiwan Policy and East Asian Security," Journal of Contemporary Asia 27.3 (1997): 378.

[14] Andrew J. Nathan and Robert S. Ross, The Great Wall and the Empty Fortress (New York: WW Norton and Company, 1997) 218.

The conclusion of the Cold War affected China's relationship with the United States and Beijing's perception of American interests in Taiwan in a combination of ways. The drawing of the iron curtain displaced the Soviet Union as America's largest rival, essentially leaving the US as the world's sole hegemonic power. At the time of the Cold War, Beijing could manipulate its relationship with the US because it possessed the strategic location and diplomatic flexibility to challenge the security of either the Soviet Union or the United States.[17] Yet, the end of the Cold War and the collapse of the USSR destroyed one of the basic structural supports of the relationship between Washington and Beijing-- without a common enemy to contain, the strategic logic of Washington appeasing China began to hollow out.[18] As a result, when China conducted military exercises off the Taiwan Strait, Washington's decision to engage aircraft carriers no longer needed to reflect fundamental security considerations of the strategic triangle.

In the end, Washington's strong response to China's military exercises demonstrated America's commitment in ensuring stability in the region. More importantly however, the deployment of the two aircraft carriers suggested not only the strong possibility of future US involvement, but it also indicated America's growing deference to Taiwan's situation. While Beijing generally supports the military presence of the US to balance and control Japan, what the leadership finds threatening is the unrivalled strength of the US in world politics.[19] It is the very fact of America's

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[15] Examples of nations that have agreed to give up long-standing diplomatic ties with the ROC include Saudi Arabia (1990), South Africa (1996); and Beijing was able to improve relations with Pakistan and Iran by means of nuclear proliferation and arms sales.

[16] Nathan and Ross 9.

[17] Nathan and Ross 46. Participation in the "strategic triangle" helped China win a UN seat in 1971, but more specifically China was able to extract concessions from the US in its policy toward Taiwan.

[18] Qingguo Jia, "Reflections on the Recent Tension in the Taiwan Strait," The China Journal 36 (1996): 94.

[19] According to a survey conducted by the Beijing Meilande Information Institute, 67.8% of the people on the mainland regard Taiwan as the biggest problem hindering better Sino-US relations. "Two-thirds of Mainland People Regard Taiwan as Biggest Obstacle in Sino-US Relations," CND 16 Jun. 1998, online, internet, 23 Jun.1998.

unchecked power, tipping the imbalance of power in America's favor that China perceives as threatening.[20] This has resulted in increased tensions between China and the US. On the one hand, Washington is growing dissatisfied with Beijing over issues of arms proliferation, trade, intellectual property and human rights. On the other hand, Beijing objects Washington's global directives of promoting democracy throughout the world, pressuring countries to improve their human rights records and imposing economic sanctions to force foreign governments to open their markets to American exports.[21]

Yet, one of the biggest grievances between the two sides remains the issue of Taiwan's independence. In the 1982 Sino-American communiqué, China pledged "to strive for a peaceful solution to the Taiwan question," and in return the US promised to cap the quantity and sophistication of its arms sales to Taiwan.[22] Sure enough Taiwan's political liberalization and democratization, which corresponds with America's fundamental objectives of "promoting democracy and market liberalization 'beyond the core,' [mainly] in the former USSR, but also in Asia, Africa and Latin America," is helping Taipei secure greater empathy from Washington. As a result and to Beijing's disapproval, we find the US selling more advanced weapons to Taiwan including post-Golf War US patriot systems and $420 million US worth of stinger missiles, receiving high-level officials from Taiwan such as Lee Teng-hui and supporting Taipei's application into the WTO.

Taiwan's Strategic Value

Taiwan is as geo-strategically valuable for the United States as it is for the mainland. Situated along the Taiwan Strait and Bashi Channel (two key sea-lanes of communications [SLOC]), Taiwan is a gateway into Northeast and Southeast Asia, the Indian Ocean and the Middle East. Given the loss of Clark Base and Subic Naval Bay in the Philippines, as well as an overall US reduction of troops in Asia, having Taiwan as a potential base for future US military operations (in a regional or global crisis) is a

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[20] Christpoher Layne, "Rethinking American Grande Strategy," World Policy Journal 15.2 (1998): 13

[21] Jia 95.

[22] Layne 11.

Table 3-1: Phased US Troop Reductions in the Asia Pacific

Country Service	**1990 Starting Strength**	**Phase 1 Reduction 1990-1992**	**1993 Strength**	**Phase II Reduction 1992-1995**	**1995 Strength Approx.**
Japan	50, 000	4, 773	45, 227	700	44, 527
Army Personnel	2, 000	22	1, 978	-	1,978
Navy Shore-based	7, 000	502	6, 498	-	-
Marines	25, 000	3, 489	21, 511	-	21,511
Air Force	16, 000	560	15, 440	700	14,740
Joint billets	-	200	-	-	-
Korea	44,400	6, 987	37, 413	6, 500a	30, 913a
Army Personnel	32, 000	5, 000	27, 000	-	27, 000
Navy Shore-based	400	-	400	-	400
Marines	500	-	500	-	500
Air Force	11, 500	1, 987	9, 513	-	9, 513
				Withdrawal	
Philippines	14, 800	3, 940	relocated	11, 310	-
Army Personnel	200	-	in other	200	-
Navy Shore-based	5, 000	-	Areas of	4, 328	-
Marines	900	672	Region	900	-
Air Force	8,700	2, 818		5, 882	-
			1, 000b		1, 000
SUBTOTAL	**109, 200**	**15, 250**	**83, 640**	**18, 510**	**76, 440**
'afloat or forward deployed'	**25, 800**			**25, 800**	**25, 800**
TOTAL	**135, 000**		**109, 440**		**102, 240**

Source: US Department of Defense, A Strategic Framework for the Asian Pacific Rim (Washington DC: U.S. Government Printing Office, 1992). Rpt. in Douglas T. Stuart and William T. Tow, A US Strategy for the Asia-Pacific ADELPHI Paper 299 (Great Britain: Halstan and Co. Ltd., 1995) 9.

Note: Although the numbers in this table do not tally, they are the official figures provided by the Department of Defense.
a= Korean troop reductions deferred in the light of North Korean threat.
b= Estimated relocations to Japan, Korea and Singapore.

valuable asset for US military planners.[23] Respectively, seen from the same vantage point, reunification with Taiwan could enhance Beijing's regional power and influence in a number of ways. On an endless number of occasions Beijing has stated that the Taiwan issue is an internal affair and that foreign intervention is strictly prohibited.[24] Yet, the Taiwan Relations Act, signed between the US and Taiwan in 1979, commits the US to oppose any use of force by China to re-acquire Taiwan.[25] By controlling the SLOC, Beijing could restrict American access to Taiwan's bases, but more specifically however, Taiwan could also be used by the leadership to adversely affect the US's forward deployment.[26] By possibly extending that restriction to include US allies, such as the Philippines or Japan, Beijing could affect their economic lifeline or freedom of movement thus forcing Manila and Tokyo to settle the Spratly and Diaoyutai Island disputes on China's terms.

Assessing China's Internal Environment

Besides the commonly recognized political and strategic reasons associated with reunification, social and economic factors also influence China's Taiwan policy. In the previous chapter we examined how the leadership's governing authority shifted

from an ideological-based to a performance-based (economic) entity. Since China's reforms have always focused on economic development, over the years the leadership's legitimacy has increasingly reflected its ability to maintain this economic growth. Potential extraction of resources from the South China Sea for example, makes the area very attractive to Beijing, especially because externally extracting resources can reduce the domestic political pressures often associated with internally extracting them. The same logic does apply to Taiwan. Many of the major problems affecting the current stage of China's economic development are related to the demographic structure of the mainland and the corresponding limitations of resources. Since the advent of openness and reform, the gaps in regional development have grown increasingly wide. The greater the threat regional inequality poses to China's internal stability, the more (compensatory) resources the leadership will need to acquire to reduce the disparity. Already a large source of investment capital and technology transfer, maintaining viable ties with Taiwan can impart the leadership with the means necessary to further the mainland's overall development strategies.

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[23] Martin L. Lasater, "U.S. Interests in the New Taiwan," Orbis 37.2 (1993) 247. See Table 3-1 on preceeding page.

[24] In an address concerning Taiwan's status, Premier Li Ping reaffirmed the Chinese government's position: "National Unification is exclusively China's internal affair and no foreign force may interfere in it any way." See: "Premier Reaffirms Policy Toward Taiwan," 11 Aug.1996, online, internet, 5 Jun.1997.

[25] Douglas T. Stuart and William T. Tow, A US Strategy for the Asia Pacific ADELPHI Paper 299 (Great Britain: Oxford UP, 1995) 35. Provisions of section 2 of the Taiwan Relations Act reads: It is the policy of the United States…to declare that peace and stability in the area are in the political, security, and economic interests of the United, and are matters of international concern…[and] to consider any effort to determine the future of Taiwan by other than peaceful means, including by boycotts, or embargoes, a threat to the peace and security of the Western pacific area and of grave concern to the United States. "Washington-Taipei Relations and the ROC's Pragmatic Diplomacy: Questions and Answers," May 1997, online, internet, 22 Jun.1998.

Yet, granted that Beijing must continue to generate widespread economic benefits for the population at large, the present reality and rapid decay of Maoist ideological beliefs impels the leadership to link economic expansion with Chinese nationalism. Taking into consideration the rising number of separatist activities by ethnic minorities in China's boarder regions, reunification with Taiwan not only enforces Beijing's commitment to territorial integrity, but also showcases Beijing's intolerance of any and all internal separatist movements. While China's goals of national integrity with Taiwan aim to re-incorporate a patriotic dimension back into the national environment, any significant use of force on China's behalf to pursue its Taiwan agenda could severely undermine economic exchange across the Straits. More specifically however, an aggressive resolution could be the catalyst pushing certain provinces to cause a rift in China's internal order.

Taiwan Used as an Example

Ethnic separatism is an increasingly vital concern for the leadership in Beijing, particularly because some of China's ethnically divided provinces now have a greater potential to disrupt China's internal order. Although most of China's 55 officially recognized national groups are too small, isolated or assimilated to constitute as a

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[26] You Ji, "Making Sense of War Games in the Taiwan Strait," Journal of Contemporary China 6.15 (1997): 299.

domestic security threat, this is not the case for two of China's larger ethnically divided provinces: Xinjiang and Tibet.[27] The inhabitants of these regions, long suppressed by Chinese forces for reasons of religious and cultural distinctiveness, are increasingly pushing for the right to "self-determine" their own areas. Actually, the disintegration of the former USSR has re-enabled many of China's minority groups to not only maintain closer connections with their culturally compatible compatriots across China's boarders, but to also use this cross boarder support to help them fight for the right of self-determination. With the participation of external secessionist organizations and even the support of some foreign governments, ethnic secessionist activities have created quite a stir. If China were to grant any of its major territories independence on the basis that the people see themselves as culturally distinct, it would set a precedent. Territories, whose populations already feel alienated, would also want to exercise their right to self-determination. Any major compromises or tolerance for Taiwanese independence would definitely affect the most serious of separatist activities: (1) the push to establish "East Turkistan" in Xinjiang province and (2) the promotion of Tibetan independence.

The Potential Exists

Xinjiang Uyghur Autonomous Region located in China's northwest is the largest of the mainland's provinces. A large portion of its residents are Muslim, and although the area's different Muslim sects may occasionally clash with each another, they tend to unanimously support the general Islamic separatist movement calling for greater independence. While the disintegration of the USSR opened the door for fundamentalist forces in bordering countries of Tajikistan, Kazakhstan and Kyrgyzstan to also participate in the conflict, in the spring of 1996, these new and mainly Muslim Central Asian governments signed protocols with Beijing agreeing that they would neither harbor nor support separatist groups. Nonetheless, reports of demonstrations and bombings carried out during the 1980's and 1990's testify to the region's increasingly unstable nature. On February 25, 1997, a bomb placed in Xinjiang's capital Urumqi, left nine people dead.[28] The following October, on the 42 anniversary of the founding of Xinjiang Uyghur Autonomous Region, three bombs exploded in three cities located northwest of Urumqi. One bomb blasted a military building in Kuytung; another explosion took place in a police department building in Shikhanzi City, and the third bomb exploded in an oil well close to Karamay.[29]

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[27] Comprising only about 6 % of China's total population, these minorities are nevertheless scattered over 60% of land area.

In conjunction with its problems with Xinjiang, Beijing also has to contend with Tibet. The Tibetan people's fight for the right to self-determination, intensified by the fear of the deprivation of religious freedom has caused the independence sentiment in Tibet to be the strongest of all China's national minority areas. China continues to impose strict religious limits on Tibetans, they have incarcerated disobedient monks and have even refused to negotiate with the Dalai Lama or accept his appointed designee for the religious post of Panchen Lama. In retaliation, pro-Tibetan factions have detonated bombs, and by the end of March 1996, six bombs had already exploded in the city of Lshasa.[30]

More so than the other territorial disputes discussed in this thesis, China's Taiwan-policy is a decisive asset for Beijing. On one hand, coercive diplomacy against Taiwan reinforces Beijing's intolerance of domestic pro-independence activities and demonstrates to outside actors such as the US, ASEAN or Japan that China values its territorial integrity enough to fight for it. In more concrete terms, Taiwanese accommodation would displace Taiwan as China's military rival; force all states to exclusively recognize the Chinese Communist Party as the official government of the mainland and showcase Beijing's determination to settle all its territorial disputes on China's terms.

Regional Fragmentation: Central and Western Regions

Despite China's real economic growth rate averaging 10.48% from 1994 to 1997, disparity among the eastern, western and central regions is increasing.[31]

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[28] Dru C. Gladney, "Rumblings From the Uyghur," Current History (1997): 287.

[29] Abdullah Pamir Abduljelil, "Three Bombs Exploded in North Eastern Turkistan," 2 Oct.1997, online, internet, 18 Jan.1998.

[30] "Bomb Exploded Outside Lhasa Party Headquarters," Tibet Information Network 26 Mar.1996, online, internet, 16 Jan.1998.

[31] Jonathon D. Hill, "Country Risk Analysis: China," May 1997, online, internet, 9 Jan.1997.

Between 1981 to 1988, the annual GNP growth rate in the central and western regions was 10.83% and 10.88 % respectively and in the eastern region it was 11.8 %.[32] In 1992 however, the GNP growth rate in the central and western regions was 11.58% and 9.23 % and in the eastern region it was a staggering 18.37%.[33] Due in part to their location and combined with preferential injections of large amounts of foreign investment, advanced technology and qualified people, the coastal areas have developed more rapidly than the other areas.

From a global perspective, unequal regional development is a common phenomenon, and to attribute the lack of development in landlocked central and western areas to geographical factors seriously oversimplifies the problem. Nonetheless, having fallen into a continual low state of investment, poor environment and low efficiency, these areas have not been as successful as eastern areas in developing external relations with advanced countries and regions. Therefore, the burden of responsibility falls upon Beijing to not only continue to implement policies that help western and central regions break out of their isolation and link up with domestic and international activities, but to also provide these areas with the necessary financial support. Although most of China's trade with Taiwan occurs directly across the Taiwan Straits, Taiwan is slowly investing in central and western regions.[34] Whereas Taiwan benefits from cheap labor supplies and currency appreciation, central and western regions benefit from Taiwanese capital and technology transfer. How reunification could help improve this whole situation, lies in potential transfer of manpower and resources from Taiwan to the western and eastern regions.

Eastern Regions

Short distances across the Straits from Taiwan the economies of coastal provinces are very much integrated with Taiwan's.[35] Guangdong province for

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See: Table 3-2 on page 53.

[32] Shaozhi Su, "The Urgent Matter of Resolving Regional and Urban-Rural Matters," Inside Mainland China 19.9 (1997): 46.

[33] Su 46.

[34] See: Table 3-3 on page 54.

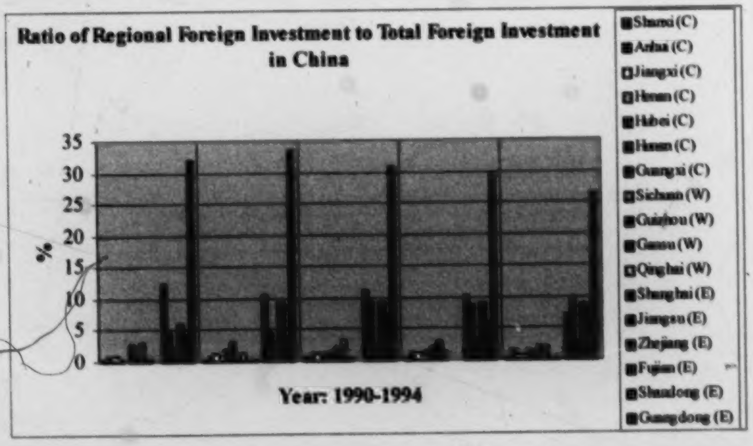
[35] See: Table 3-4 on page 54.

Table 3-2: Ratio of Regional Foreign Investment to Total Foreign Investment in China (%)[36]

Region	1990	1991	1992	1993	1994
Shanxi (Central)	0.19	0.40	0.57	0.38	0.30
Anhui (C)	0.80	0.58	0.90	1.14	1.36
Jiangxi (C)	0.82	1.25	1.26	1.06	1.05
Henan (C)	0.22	0.77	0.33	1.16	0.90
Hubei (C)	-	1.74	1.29	1.64	1.39
Hunan (C)	2.82	3.10	1.53	2.15	0.98
Guangxi (C)	0.57	0.39	2.05	3.05	2.17
Sichuan (Western)	2.91	1.06	3.32	1.31	2.15
Guizhou (W)	0.47	0.37	0.23	0.13	0.19
Gansu (W)	0.07	0.18	0.14	0.05	0.20
Qinghai (W)	-	-	-	0.01	0.01
Shanghai (Eastern)	12.37	10.63	11.19	10.36	7.26
Jiangsu (E)	4.50	4.38	9.22	8.78	10.09
Zhejiang (E)	1.26	1.61	2.25	3.18	2.65
Fujian (E)	6.03	9.36	9.27	8.94	8.71
Shandong (E)	4.12	4.04	7.13	6.14	7.87
Guangdong (E)	32.08	33.44	30.74	29.71	26.49

Source: Ronald Montaperto and Ming Zhang, "The Taiwan Issue: A Test of Sino-U.S. Relations," The Journal of Contemporary China 9 (1995): 13.

The above chart, graphed below, illustrates the range of disparity between various provinces in China's central, western and eastern areas. The central and western regions are primarily agricultural, whereas the eastern part is predominantly coastal and relatively more prosperous.



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[36] Feng-cheng Hu and Chi-keung Li, "Disparities in Mainland China's Regional Economic Development and Their Implications for Central-Local Economic Relations," Issues and Studies 32.11 (1996): 18-19.

Table 3-3: Statistics on Approved Indirect Mainland Investment by Year and by Area

Area	Guangxi	Hubei	Hunan	Sichuan	Hebei	Henan
Year	Case/ Amount	Case/ Amount	Case/ Amount	Case/ Amount	Case/ Amount	Case/ Amount
1991	-	1/ 800	2/ 138	2/ 170	9/ 7, 475	1/ 248
1992	2/ 2, 143	-	3/ 8, 048	1/ 426	17/ 22, 271	-
1993	87/ 14, 764	98/ 35, 931	102/ 21, 925	158/ 61, 670	623/ 194, 2999	121/ 17, 094
1994	7/ 2, 347	21/ 8, 093	11/ 4, 241	18/ 32, 515	83/ 56, 814	16/ 6, 635
1995	-	7/ 24, 436	29/ 31, 563	3/ 6, 500	48/ 83, 194	4/ 2, 092

Source: Investment Commission, Ministry of Economic Affairs, Statistics on Overseas Chinese and Foreign Investment (Republic of China: Ministry of Economic Affairs, 1995) 86.

Note: Investment from Taiwan to China; unit: $1000.00 US

Table 3-4: Statistics on Approved Indirect Mainland Investment by Year and by Area

Area	Guangdong	Fujian
Year	Case/ Amount	Case/ Amount
1991	109/ 73, 325	59/ 55, 961
1992	127/ 112, 038	47/ 29, 584
1993	3, 054/ 1, 047, 811	1, 528/ 437, 800
1994	236/ 230, 927	108/ 96, 624
1995	114/ 222, 748	52/ 121, 656

Source: Investment Commission, Ministry of Economic Affairs 86.

Note: Investment from Taiwan to China; unit: $1000.00 US example, is the largest recipient of Taiwanese investment.[37] Meanwhile, about half of Taiwanese investment capital has been poured into the Xiamen Special Economic Zone (in Fujian province) accounting for about half of the Taiwan-funded projects on the mainland.[38] By the end of 1996, the Guangxi Zhuang Autonomous Region had approved 682 Taiwan-funded enterprises, involving a total Taiwan investment of $868 million.[39]

This ongoing two-way trade has resulted in the creation of a prosperous cross-strait economic area involving Taiwan and the mainland's southeast coastal provinces. In 1979 Taiwan and the mainland had no economic links, but by 1997, cross-strait trade had reached about $26.5 billion a year, and some 35, 000 Taiwanese companies had invested $30 billion in China.[40] The two sides, whether they like it or not, are connected in a state of mutual dependency—one side offering resources that the other lacks in order to sustain economic development on each side. Besides the great market potential, much lower production costs, geographical proximity and cultural similarities that pulls Taiwan towards China, the need to import technology and consumer goods as well as the desire to procure badly needed foreign exchange pushes China towards Taiwan. Therefore, when China's missile test exercises disrupted the financial exchange across the Straits, a number of coastal provinces and municipalities (particularly Fujian and Guangdong, the largest benefactors of Taiwanese investment and trade) reacted strongly, saying that the tests threatened Taiwanese investment and harmed the local economic climate. Although they refrained from demanding that the central government put an end to the exercises, they did relay their objections immediately.[41] Ultimately, the central government was forced to send envoys to appease the regional authorities, especially because these areas, whose increased links with Taiwan have already exposed them to the realities of democracy and the benefits of a more liberal market-oriented society, have the potential to affect China's internal stability.

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[37] Ronald Montaperto and Ming Zhang, "The Taiwan Issue: A Test of Sino-U.S. Relations," The Journal of Contemporary China 9 (1995): 13.
[38] Jack F. Williams, "China and Taiwan," in Denis Dwyer China The Next Decades (United Kingdom: Longman Scientific and Technical, 1994) 231.
[39] "Southern Provinces Co-operate," Xinhua News Agency 14 Apr.1997, online, internet, 18 Dec. 1997.
[40] Freeman Jr. 8.

Conclusion

China's interest in reunification with Taiwan reflects a continued search for survival and security. In this analysis we examined how the mainland's external insecurities are heightened by the perception that America's involvement in the Asia pacific region is active and ongoing. When Beijing conducted missile tests off the coast of Taiwan, the US acted in accordance with the provisions of section 2 of the Taiwan Relation's Act and upheld the credibility of its commitment to ensure the peace and security of the region. Not only did Washington dispatch two aircraft carries, but afterward they also provided Taiwan with military upgrades. Therefore, in national security terms, reunification would enable Beijing to gain enough control over Taiwan to deny those who govern there the ability to offer themselves as an ally to a potential adversary (such as the United States), who might in turn use the island as a base to threaten China.[42]

We have also examined how China's interest in reunification with Taiwan extends beyond issues of external security and incorporates elements of domestic vulnerabilities. Not all of China's perceived dangers are foreign; the same reforms that produced a prosperous cross strait economic area between Taiwan and the mainland's southeast coastal provinces, also created regional disparity and potential ethnic separatism. Before the leadership can act aggressively toward Taiwan, they must weigh the costs and benefits of pursuing these irredentist strategies against more pressing goals, such as continuing with economic development. In essence maintaining healthy relations with Taiwan not only benefits China's overall economic growth, but the badly needed resources also helps appease both the stronger, more independent eastern provinces and the discontented, often poorer western, central provinces. Furthermore, successful vindication of China's past humiliations can help

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[41] Ruishao Lui "Military Intimidation Does More Harm Than Good," Inside Mainland China 18.4 (1996): 39.
[42] Andrew J. Nathan, "China's Goal in the Taiwan Strait," The China Journal 36 (1996): 87.

strengthen the political validation of the Chinese leadership in two ways. First, the glories of redemption will belong to the current regime. Second and most important, unification with Taiwan would force all states to exclusively recognize Beijing as the official government of the mainland as well as reinforce Beijing's intolerance of pro-independence activities in other areas.

Chapter 4

Diaoyutai Island Dispute

The Diaoyutai are a group of islands lying in the East China Sea. Altogether there are eight islets, located approximately 120 nautical miles northeast of Taiwan and 200 nautical miles southwest of Okinawa, Japan.[1] Although their geological nature renders them uninhabitable (they are almost all submersed in water), nonetheless China, Taiwan and Japan all claim the Diaoyutai Islands as part of their own territories. Very much like the conflict in the South China Sea, this dispute is also about the sovereignty, strategic importance and economic vitality of the area. Carelessness in settling the dispute could easily affect the credibility of either government, as well as that nation's interests in settling other territorial disputes. The strategic merits of occupying the islets lie in the potential disruption of shipping lanes and their economic value stems from the possibility that the islands are sitting on top of potentially rich oil deposits,[2] and from the reality that exclusive ownership will considerably expand spheres of maritime jurisdiction.

Unlike in our previous two discussions where Beijing was considered the driving force who created substantial and unnecessary agitation among its adversaries, the principle actor stirring up much of the controversy regarding the Diaoyutai Island dispute has been Japan. In June 1996 both China and Taiwan contested Japan's declaration of a 200 nautical mile economic zone around the islands and in September the dispute came to a head after Nihon Seinensha (Japanese Youth Federation)[3] finally succeeded—after various aborted attempts-- in erecting a lighthouse on one of the islets. Remarkably, despite the dramatic rallies and activities, China, Taiwan and Japan all behaved with commendable restraint in relation to each new incident and their prudent behavior suggests that no one really wanted to provoke an unnecessary confrontation with the other. Yet, if the Japanese were more boisterous in marking territory than the Chinese and if all the claimant-states, especially Beijing, seemed clearly determined to downplay the heightened moments of the dispute, why then is it only China's interest in the area that provokes such high regional attention?

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[1] China refers to the islets as the "Diaoyutai," whereas the Japanese call them the "Senkaku Islands."

[2] A 1968 report issued by the ECAFE (United Nations Economic Commission for Asia and the Far East) has suggested the possible existence of a large hydrocarbon deposit off the shores of Diaoyutai, although no oil has ever been found and no systemic search has of yet been carried out. See: "Diaoyutai History," 1996, online, internet, 15 Oct.1997.

[3] Nihon Seinensha is one the largest of about eight hundred extreme rightist groups in Japan. Seinensha claims a membership of about three thousand and focuses on environmental and children's

Up until this point, we examined four sources of regional apprehension. Foremost, China is emerging as growing economic power. With the wealth generated by economic reform and liberalization, Beijing has thus embarked on a rapid and comprehensive military modernization program. Furthermore, there is an overall lack of transparency concerning Beijing's actual military mite and spending, as well as an overlapping ambiguity regarding what the leadership intends to do with the contested territories. Outside suspicions therefore form because China's economic development strategies (which require peace and stability to prosper) run astride increasingly aggressive irredentist tactics. Even though Beijing may not be the only nation taking an active approach in securing territorial interests, aside from Taiwan, it is the only other country aiming to regain sovereignty over all three areas. An intimidating reality is that complete territorial integrity would allow Beijing to not only control and disrupt SLOC from the East China Sea, down through the Taiwan Strait, but also from the South China Sea into the Strait of Malacca.

Since our intent here is to disassociate China's interest in its territories from growing accusations that they aspire to replace the US as the region's new hegemonic power, this particular case study provides for a good analysis because it illustrates how overall Beijing approaches the situation as a rational actor. Tantamount with Taiwan or the Spratly's, China's interest in the Diaoyutai Islands is as much a product of China's security orientation (external and internal) as it is an ideological reaction to its

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issues as well as on promoting nationalist causes related to territorial claims. See: Tai Ming Cheung and Charles Smith, "Rocks of Contention," Far Eastern Economic Review 1 Nov.1990: 20.

self-image as an "exploited" nation trying hard to recover territories robbed during foreign invasion and exploitation. However high the incentives enticing Beijing to challenge the region's territorial status quo, there are incurred costs and benefits that need to be objectively calculated. While control over the Diaoyutai may ultimately add to the legitimacy of the regime or economic growth of the mainland, there are still limits in how far Beijing is willing to push the boundaries of domestic and international tolerance to pursue its irredentist strategies.

What value the Diaoyutai Islands hold for China will conclude our examination into what dynamics drive China's irredentism. Divided into three sections, the first portion of this study will introduce the origin of the dispute, as well as examine each claimant-state's assertion of ownership over the islands. An analysis of China's external threat perceptions will follow. Driven primarily by evidence of recent changes in Japan's China policy and enforced by a legacy of conflict and exploitation, tensions between China and Japan are mounting. Aside from the broadening scope of the US-Japan military alliance, which now allows Tokyo to provide the US with logistical and basing support, the future of Sino-Japanese relations is increasingly marred by growing "political support for previously unthinkable steps by the Japanese government that are inimical to Chinese interests."[4] Much the same as with Taiwan or the Spratlys, control over the Diaoyutai thus provides the mainland with strategic, economic and political advantages. Yet, rather than monopolize this discussion with the incentives that motivate Beijing to want control the Diaoyutai islands, the last portion will primarily focus on the constraints that encourage non-confrontational behavior on China's behalf. While it is definitely not to China's advantage to permit Japan to solely benefit from the area's potential resource base or to allow Japan to offer the area to their American allies for logistical reasons, it is to China's advantage nonetheless, to maintain productive economic relations with Japan.

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[4] Banning Garrett and Bonnie Glaser, "Chinese Apprehension about the Revitalization of the U.S.-Japan Alliance," Asian Survey 37.4 (1997): 397.

Genesis of Ownership

History

Identical to their South China Sea claims, China's territorial claims over the Diaoyutai Islands are also based on grounds of past discovery and administration. The government maintains that historical records detailing the discovery and geographical features of the Diaoyutai date back to the year 1403. In fact, navigational records show that both the Ming and Qing dynasties regarded the Diaoyutai islands as part of Chinese territory. Some Japanese historians even agree with this assessment, noting that Japanese maps and civic records of the time used the Chinese "Diaoyutai" name to mark the islands.[5] Most other Japanese historians however, maintain that islands were without ownership until they came to be claimed under the jurisdiction of the Okinawa Prefecture on January 14, 1896.[6] Therefore, based on very different interpretations of historical events, both China and Japan are reluctant to cede ownership to the other.

With China's defeat in the Sino-Japanese War (1894-1895), the terms of the Shimonoseki Treaty (April 1895) rendered Taiwan to Japan. Since the Diaoyutai islands were administered by Taiwan, they too came under Japan's domination until the end of World War II (1945), when the conditions of the Cairo and Potsdam Declarations required Japan to return Taiwan, the surrounding islands and Manchuria to the then Republic of China.[7] Shortly thereafter on January 29, 1946, the United Nations issued Order No. 667 which outlined the extent of Japan's territory. The Chinese maintain that since the Order did not mention the Diaoyutai island chain vis-a-vis Japan, the islands were considered Chinese territory by the parties involved. Therefore, China was quite surprised when the San Francisco Peace Treaty of 1951, signed by the United States and Japan, placed the Diaoyutai islands under US administration along with Okinawa. Because the Islands fell within that Ryukyu-US control zone, Japan considered the Islands part of Japanese territory. Yet, since China was not present at the signing of the treaty they refuse (even to this day) to recognize the document. [8] In an attempt to improve Sino-Japanese relations, Japan and China signed a Peace Treaty in 1952. It was decided that "all treaties, conventions and agreements concluded before December 9, 1941 between China and Japan" were to be discarded.[9] With the Shimonoseki Treaty no longer legally binding, Beijing maintains that the Diaoyutai were included in Japanese acquisitions relinquished back to China.

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[5] Kiyoshi Inoue, "Japanese Militarism and Diaoyutai (Senkaku) Island- A Japanese Historian's View," Feb.1972, online, internet, 15 Oct.1998.

[6] For a more detailed historical perspective see: Yan Zhong, "China's Claim to Diaoyu Island Chain Indisputable," Beijing Review 39.45 (1996), Beijing Review Online, online, internet, 12 Oct.1997.

[7] The Cairo Declaration (1943), which was signed by China, Britain and the US, states that: "all the territories Japan has stolen from the Chinese such as Manchuria, Formosa and the Pescadores, shall be restored to the Republic of China." See: William L. Tung, China and the Foreign Powers: the Impact of and the Reaction to Unequal Treaties (New York: Oceana Publications, 1970) 269. Leaders of the allied powers reaffirmed in the Potsdam Declaration July 26, 1945 that the terms of the Cairo Declaration shall be carried out. Tung 269.

Tensions again flared when on November 11, 1969, the United States and Japan signed the Okinawa Reversion Treaty. The purpose of the Treaty was to eventually give Japan full control over Okinawa. Yet, the Treaty was immediately challenged by both China and Taiwan because the Diaoyutai Islands were included as part of Okinawa. When the United States finally did hand over Okinawa to Japan in 1971, the Chinese government issued a statement, pointing out that the "Diaoyutai Islands appertain to China and that the reversion of these islands to Japan by the United States [was] illegal and invalid."[10] Aware of the importance of cultivating some sort of a relationship with China, the US Foreign Relations Committee issued a statement declaring that "transferring the rights of administration to Japan did not constitute a transfer of underlying sovereignty nor could it affect the underlying claims of any of the disputants."[11] In other words, what Washington did was transfer only the rights of administration (of Okinawa and Diaoyutai), not their sovereignty. In 1972, again in the interest of developing amicable ties, China and Japan normalized diplomatic relations (Sino-Japanese Joint Statement). They both expressed a desire to one day establish a treaty of peace and friendship. Therefore, for the sake of promoting peace and regional stability, it was agreed to reserve the issue of the Diaoyutai Islands for future discussion and settlement. When the two countries eventually contracted the Peace and Friendship Treaty in 1978, the Diaoyutai issue still remained unresolved and shelved for future resolution.

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[8] Although at the time Taiwan accepted the US military occupation of the Diaoyutai for regional security purposes, like the mainland they have also always maintained that the Diaoyutai were never part of the Ryukyus.
[9] Tung 312.
[10] "On Diaoyu Islands Issues," 1996 online, internet, 15 Oct.1997.
[11] "Diaoyutai History Islands," 1996, online, internet, 15 Oct.1997.

Japan

Japan insists historically and in the light of international law that the Diaoyutai Islands are under her effective control. They have continuously maintained this position and at different times, Japanese coast guards (Maritime Safety Agency) have staunchly guarded and removed both Chinese and Taiwanese fishermen from the area. When in 1996, a Japanese right wing group landed on and attempted to erect a lighthouse on one of the islets; Japan's lack of response or action during the height of the crisis received much criticism from China. China's foreign ministry spokesman Shen Guofang, averred that the "recent actions of some Japanese right-wing groups [were] not accidental and [were] directly related to the attitude of the Japanese government."[12] Nonetheless, Japan's noncommittal attitude (they have yet to officially support any activities or grant the approval of any lighthouse licenses) remains in sync with Japan's official position. According to a statement issued by the Japanese Foreign Ministry, "since Japan is effectively controlling the Senkaku Islands, there is no territorial issue there for us. We don't have a pamphlet that would present our stance more broadly."[13] In response to China and Taiwan's claims that the islets have been part of Chinese territory since ancient times, the Foreign Ministry in Tokyo simply dismisses such reasoning because "under international law this cannot be called valid evidence to sufficiently bolster Chinese territorial claims."[14] The Ministry further points to the San Francisco Peace Treaty and the Okinawa Reversion Treaty as agreements, which legally placed the Diaoyutai Islands under Japan's jurisdiction.

China

China denies all of Japan's claims and on occasion have stated that the Japanese should be clear that the "Diaoyutai Islands are an inseparable part of Chinese territory, whether from the viewpoint of international law or from any other perspective."[15] In 1992 the Chinese government took the issue of sovereignty one step further and affirmed, through passed legislation, territorial sovereignty over the islands. The law passed by the Standing Committee of the National People's Congress not only declared territorial sovereignty over the Spratly, Parcel and Diaoyutai islands, but also explicitly expressed China's freedom to reserve the right to use military force in the area.[16] Fortunately, because Japan is one of China's major aid donors, trading partners and investors, the government is compelled to exercise as much restraint as possible with Tokyo regarding the dispute.

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[12] "You Say Senkaku, I Say Diaoyutai," The Economist 7 Sept.1996: 34.

[13] Shinnosuke Sakai, "Tokyo Keeping Low Profile in Senkaku Islands Row," 20 Sep.1996, Kydo News Service, internet, nexis, 27 Oct.1997.

[14] Sakai.

Interestingly, Japan's actions have invoked the most agitation not from the Chinese, but from both Hong Kong and Taiwanese residents. Hong Kong residents have been very active in demonstrating against Japanese aggression over the islands and any activities or demonstrations carried out by Japanese right-wing extremists have always induced harsh verbal criticisms, protest marches and calls to boycott Japanese goods. Together with Taiwan, they have been at the center of mounting protests in the past three years since Nihon Seinensha succeeded in erecting a lighthouse on one of the islets in 1996. Even Hong Kong government members often at odds with Beijing over human rights and democracy, fully support the Communist Party's view that the Diaoyutai Islands belong to the mainland. They have expressed both their disapproval and anger over Japan's lenient attitude in punishing the activists and the swift manner by which Japanese coast guards expel Chinese fisherman and demonstrators from the area.

Taiwan

In line with China, Taiwan bases its assertion over the Diaoyutai on the same historical evidence of Chinese discovery and administration. The Taiwanese, like their Hong Kong counterparts, have also actively campaigned against Japan in the Diaoyutai Island dispute. Rallies, demonstrations and trips to islands have been organized and carried out as much in Taiwan as they have been in Hong Kong. Key differences however, is that the Taiwanese government has been a bit more boisterous in reprimanding Japan and in presenting Taiwan's position independent from the mainland. On September 12, 1996, Taiwan's Government Information Office Director-General Su Chi summarized Taiwan's official position into four points. First, Taiwan claims absolute sovereignty over the islands; its stance is firm and unequivocal. Second, it hopes to handle the dispute in a rational and peaceful manner. Third, Taiwanese fishing rights need to be protected at all times and lastly, Taiwan will deal with Japan directly, not under the clout of Beijing. Taiwan's Minister of Foreign Affairs John Chang, reinforced the last point by clearly stating, "the government of the Republic of China definitely has the ability to handle the matter on its own.[17]

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[15] "China Calls on Japan to be 'Sensible' Over Senkaku," Kydo News International 24 Sept.1996, online, nexis, 27 Oct.1997.

[16] For more information see: "Testing the Waters," Far Eastern Economic Review 12 Mar.1992, 8-9.

Assessing China's External Environment

The end of the Cold War and the collapse of the former Soviet Union significantly changed the structure of China's external environment including the distribution of capabilities across the system's units. Along with these changes (i.e. changes in the structure of the system) evolved a different awareness about how units in the system would behave. In the post-war era, Tokyo formulated its "China policy" within the constraints of its security ties to the United States. When Sino-Soviet relations began to deteriorate in the 1960s, concern about Soviet expansionism provided a basis of mutual interest among China, Japan and the United States.[18] The shared perception of a "Soviet threat" thus propelled Japan to tilt toward China in order to normalize and improve relations in 1972 and in 1978. Yet, with the end of the Cold War, the convenient arrangement whereby Japan's defense strategies, directed at countering a Soviet attack all the while serving both American and Chinese interests, fell apart. The demise of the Soviet threat, which shifted Japan's attention toward China's capabilities, the development of multiparty politics (following the collapse of the LDP hegemony in 1993) not only created changes in Japan's China policy, but also combined to perpetuate China's ambivalence about Japan's future role in regional affairs.

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[17] Todd Crowell, "United in Rage China, Hong Kong and Taiwan Protest Against Japan's Island Claim," Asiaweek 20 Sept.1996, Asiaweek Online, online, internet, 28 Sept.1997.

[18] Michael J. Green and Benjamin L. Self, "Japan's Changing China Policy: From Commercial Liberalism to Reluctant Realism," Survival 38.2 (1996): 39.

Japan and China's Respective Concerns

Uneven growth of power among states in a system encourages efforts by certain states to change the system in order to either enhance or secure their own interests. The number of states in the system and the distribution of capabilities among them can spur the formation of coalitions or counterbalances of power. In response to China recycling its growing economic resources back into military procurements, Japan is taking more tentative steps to play a larger political and military role in the region. The passage of Japanese leadership to a new generation has removed some of Beijing's strongest allies from the ranks of the conservatives in Tokyo.[19] More specifically, the emergence of a new multiparty electoral system has politicized Japanese policy toward key issues in Sino-Japanese relations, causing some politicians to push Tokyo to take a tougher stance on certain issues. After 43 nuclear tests in China since 1964, on August 28, 1995, Japan finally decided to make good on a threat to freeze aid going to the mainland. The suspended assistance, which amounted to a loss of $75 million, signaled a new willingness on Japan's behalf to want to exert pressure.[20] Furthermore, in a bold move in December 1996, Masaki Orita, Chief of the North American Affairs Bureau of the Foreign Ministry, made clear the government's position that the Japan-US security pact would be applied to the Senkaku Islands dispute. Without actually consulting the US government, Orita stated that in a situation of emergency America would obligingly defend the islands.[21]

Central to Japanese worries about the mainland's role in the new Asia Pacific regional order is the growing perception that China is not a satisfied status quo power, but rather a highly nationalistic power seeking primacy as the regional hegemon in the creation of a "Greater Sinocentric East Asian Order."[22] Japan's anxieties over China's drive to create a credible blue-water navy capable of force projection in the East China Sea were heightened in September 1996 after China conducted large-scale military maneuvers off Japan's northeastern coast. The timing of the joint army, air force and navy exercises were carried out amid ongoing Japanese ultra-nationalist demonstrations on the Diaoyutai Islands, most likely as a subtle warning to persuade Japan to stop its activities. Subsequently, Tokyo has called on Beijing to improve transparency on security-related issues. Turning to China's striking 15 % increase in fiscal 1997 defense expenditures from1996, their 1997 Defense White Paper warns of China's growing strength and urges Japan to monitor China's nuclear military potential, modernization of its air and naval forces, expansion of its maritime activities and the situation in the Formosa Strait.[23]

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[19] Michael J. Green and Benjamin L. Self 45.

[20] "Cold Shoulder," Asiaweek 8 Sept.1995, Asiaweek Online, online, internet, 6 Jul.1998.

[21] "Official Says US Forces Bound to Protect Senkaku Islands," Tokyo Shimbun 13 Dec.1996, online, internet, 3 Jul.1998.

Rising tensions in Sino-Japanese relations are more than the product of Tokyo's concerns regarding Beijing's nuclear tests, territorial claims or intimidation campaigns. The Japanese government, which has always maintained that a robust forward US defense commitment in Asia is the most important factor in regional stability and Japan's own security, has recently sought to broaden its military alliance with the US. From Beijing's perspective, a healthy US-Japanese relationship is needed to deter Japanese remilitarization. At the same time however, the non-existent Soviet threat seriously dilutes the present value of a large American contingent in Asia, as well as Japan's efforts in redefining its own military capabilities. "The new guidelines, which replace the original version adopted in 1978, call on Japan to play a bigger role in bilateral efforts to cope with emergencies in 'areas surrounding' the nation through logistic and non-combat support."[24] Beijing's major concerns concentrate on the underlying objective or target of the alliance. To a significant extent the leadership fears that the ultimate goal of the alliance is to "check and contain" China's growing presence in the region. Putting aside Japan's technological edge or military potential, Beijing is also wary of the vague geographical scope of the new defense guidelines. Although Japan's Prime Minister Ryutaro Hashimoto has reassured Beijing that the review is not aimed at "any particular country or region, including China,"[25] contradicting statements reaffirming that the geographical scope of the guidelines will cover the Formosa Strait between China and Taiwan, solidify Chinese doubt.[26]

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[22] Samuel S. Kim, "Mainland China in a Changing Asia-Pacific Regional Order," Contemporary China in the Post-Cold War Asia, ed. Bih-jaw Lin and James T. Myers (Columbia: South Carolina UP, 1996) 275.

[23] Tetsushi Kajimoto, "Defense Paper Warns of China, North Korea," The Japan Times 37.30, 28-3 Jul./Aug. 1997, intl: 3.

Another of China's "Japan apprehensions" encompasses widely negative perceptions of Japan as an aggressive expansionistic society. China's image of Japan originates from historical experiences of humiliation and hatred suffered by the Chinese at the hands of the Japanese during half a century of war and aggression. Residual resentment against Japan still exists in the minds of Chinese leaders who cannot forget or forgive Japan's failure to fully account for its World War II crimes. Further aggravating China's fear of resurgent Japanese militarism is Japan's increased military spending and technological advantages:

Table 4-1: The Balance of Power

China:

Regular Personnel	2, 935, 000
Main Army Hardware	8, 000 homegrown battle tanks, mostly from the 1950s
Main Navy Hardware	63 well-armed submarines, 18 destroyers, 36 frigates
Main Airforce Hardware	4, 000 –plus mostly old fighters and 120 bombers
Defense Expenditure (1995)	$7.6 b (1.4% of GNP)

Japan:

Regular Personnel	235, 000
Main Army Hardware	Over 1, 000 domestically produced battle tanks
Main Navy Hardware	25 submarines, 9 destroyers, 51 frigates
Main Airforce Hardware	About 300 fighter aircraft, including US built F-15s
Defense Expenditure (1995)	$50.2 b (1.1% of GDP)

Source: "Balance of Power," Asiaweek 1 Aug.1997, Asiaweek Online, online, internet, 3 Jul.1998.

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[24] Tetsushi Kajimoto, "Japan, U.S. Launch New Defense Mechanism," The Japan Times 26-1 Jan.-Feb.1998, intl: 3.

[25] "U.S. Defense Ties to be Open, Japan Tells China," The Japan Times 15-21 Sept.1997, intl: 3.

[26] Stated by Chief Cabinet Secretary Seiruko Kajiyama in early August 1997. "Japan Aims to Ally Beijing's Fears," The Japan Times 8-14 Sept.1997, intl: 3.

In fact, Japan's 4.6 trillion gross national product is the world's second largest and although Japan may barley spend one percent of her GNP on military expansion, Japan's defense budget is the world's third largest.[27]

In a self-help or anarchic system each of the states spends a portion of its efforts not in forwarding its own good, but in providing the means of protecting itself against others.[28] A major geographical incentive for wanting to acquire the Diaoyutai Islands is the potential to control the surrounding waters. Although the Diaoyutai are not as strategically poised as the Spratlys or Paracels, nonetheless occupation infers indirect control over the transit areas going from the East toward the South China Sea. Control over the islets would enable Beijing to affect Japan's economic lifeline as well as disrupt Japan and Taiwan's freedom of movement. Complete sovereignty would also enable Beijing to prevent Tokyo from offering the islets as potential bases to allying forces, particularly the United States. Granted that Japan is trying to deepen China's understanding of its revised defense cooperation with the US, nevertheless Beijing interprets the fundamental scope of the alliance as placing it in a weaker position in the American-Japanese-Chinese triangle. The worse case scenario for the leadership is the prospect of American and Japanese forces, who cooperating under the umbrella of the revised US-Japan alliance, use the islets to encircle and defend Taiwan against the use of force by the mainland.

Economic Value of the Diaoyutai Islands

So much like the ongoing conflict in the South China Sea, disagreement of ownership over the Diaoyutai Islands also stems from the economic potential of the maritime area. In fact, conflicts of economic interests over the natural and fishery resources are a major factor in this case. Although no oil has actually been found, seismic surveys do indicate that the islands are sitting on top of potentially rich oil deposits, with some estimates of total extraction going as high as 100 billion barrels of oil. All the more luring is that sovereignty over the islands would confer title to about 22, 000 square kilometers of continental shelf and at least three major oil-bearing structures. Thus, the appeal of ownership lies not only in the possible development of the area's natural resources, but the widespread depletion of fishery resources compels all the actors involved in the dispute to vie for possession.

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[27] Rajan Menon, "The Once and Future Superpower: At Some Point, Japan is Likely to Build a Military Machine that Matches its Economic Might," Educational Foundation for Nuclear Science Bulletin of the Atomic Scientists 53.1 (1997): 2-10, online, nexis, 1 Nov.1997.

[28] Waltz 105.

One of Taiwan's biggest concerns in the Diaoyutai dispute is the continuous expulsion of Chinese fisherman from the area by Japanese coast guards. In an effort to protect the freedom of Taiwanese fishermen wanting to fish in the area, Taiwan's Ministry of Foreign Affairs has at various times lodged formal protests against Japan. In early 1996, Taiwan, as well as China complained after the Japanese government decided to formally extend its Exclusive Economic Zone around the Diaoyutai Islands. According to the Law of Sea, passed October 7, 1982:

> An exclusive economic zone may extend 188 more nautical miles offshore from territorial waters, but nations do not have any sovereignty over the extended zone, only exclusive rights to economic benefits.[29]

Yet, Japan claimed a 200 nautical mile extended zone. With the larger zone, Taipei would have to re-negotiate fishing allocations with Tokyo. Taiwan fisherman claim that of the 2000 boats now operating, only about 300 would survive if deprived of access to the waters around the islands.[30] Currently, annual catches amount to $71.6 billion with fifty percent coming from the Diaoyutai fishing grounds;[31] a curtailment of fishing rights would result in estimated losses of up to $55 million in Taiwan's annual revenue.[32]

On par with the previous two case studies, China's interest in the Diaoyutai Islands also derives from the need to increase economic efficiency and maximize mutual gain. As China's economy falters with problems often serious enough to affect the grand design of the "Four Modernization's Program," Beijing is finding itself under pressure to increase production of key energy resources (such as oil and coal) needed to achieve specific economic development goals.[33] At one time, up to seventeen countries including Japan, imported Chinese crude and the government counted on these exports as a major source of capital for its modernization. Yet, due to the declining production of onshore oil, as of 1993 China itself became a net importer.[34] Against this background of necessity, the current reform drive thus leaves the Chinese externally bound and dependent on their interdependence with outside markets and suppliers. Rather than become overly dependent on others for the exchange of goods and services, China may be taking a greater initiative to control what they depend on to lessen the extent of their dependency. From this perspective, China's irredentist strategies in the East China Sea reflect more a position of survival than regional dominance.

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[29]. Virginia Sheng, "Japan's Move on the Islet Protested," Free China Journal 26 Jul.1996,13.28: 1.

[30] Todd Crowell, "United in Rage China, Hong Kong and Taiwan Protest Against Japan's Island Claim," Asiaweek 20 Sept.1996, 2.

[31] "Taiwan President Calls for Peaceful Settlement of Dispute," The Indonesia Times, The Indonesia Times Online, online, internet, 3 Nov.1997.

[32] Virginia Sheng, "Tiaoyutai Dispute Flares Anew," Free China Journal 30 May 1997, 25.21:1.

Advantages of Pursuing Exclusive Ownership

In early February 1996, Japan reported that a Chinese oil exploration ship entered waters near the Diaoyutai Islands and conducted what appeared to be trial drilling for oil. Although the Chinese government confirmed the presence of the vessel, there was no comment regarding the nature of the excursion. Nonetheless, after consulting oil exploration experts, Tokyo concluded that the ship was almost certainly conducting trial drilling.

Just like with the Spratlys, Beijing benefits from the external extraction of indispensable resources in the area surrounding the Diaoyutai Islands in a combination of ways. Firstly, by accumulating resources from outside their boarders, the Chinese government is mobilizing sources of wealth that can be used to stimulate economic growth and achieve domestic goals. More importantly however, by gaining control over these resources they are ultimately securing a more accommodating domestic as well as international environment. Ownership reduces the risk that a competing claimant-state will seize the opportunity and profit from the potential resource base of the area, particularly the fishery resources. Domestically, in their efforts to maintain support and overcome opposition, the Chinese leadership seeks to control more resources in order to compensate or coerce challengers and reward supporters. By gaining access to externally generated resources, the leadership ultimately reduces internal extraction thereby easing the domestic political pressures or dissatisfaction often associated with it. In the end, the greater the resources available for consumption, the higher or more positive the public's assessment of the leadership as an effective and productive governing body.

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[33] Four Modernization's Program focuses on industry, agriculture, science and technology and national defense.

[34] As of 1993 China has become a net oil importer and even though China's per capita energy consumption is still only forty percent of the world's average, the next decade will see much higher numbers. For a more detailed study see: Kent E. Clader, "Asia's Empty Talk," Foreign Affairs 75.2 (1996): 56.

Disadvantages of Pursuing Ownership

Despite China or Japan's apprehensions about each other, they have been surprisingly muted in asserting territorial claim over the islands. For the sake of maintaining good bilateral relations with Japan, Beijing has tolerated Japanese right-wing extremists who have either erected lighthouses or raised flags on the Diaoyutai islets. During last year's crisis, the Chinese government did not permit public demonstrations and Beijing called on local Diaoyutai activists to cool off their anti-Japanese activities.[35] For their part, the Japanese government has never officially supported any activities, nor have they granted any lighthouse licenses. While the dispute has became a rallying cry for right-wing elements who are trying to urge the government to take a tougher line against Taiwanese and Chinese claims, the Japanese government has never publicly supported these ultra-nationalistic activities.[36] In fact, public demonstrations or rallies have probably not taken place in Japan because both the government and media are reluctant to press the issue for fear of straining ties with China. Although Tokyo suspects that Beijing is drilling for oil, because of its hands off approach, Japan is not even providing funds for scientific surveys. According to the Japanese government any activities on the islands occur because most of the islets belong to private families. If the owners approve the activities of right-wing groups, then Tokyo's hands are tied because the groups aren't actually breaking any laws.

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[35] Public demonstrations have been banned since Tiananmen Square.

[36] Doug Tsuruoka, "Chinese Nationalists Step Up Protest," Asia Times 9 May 1997, Asia Times Online, online, internet, 28 Sept.1997.

After all the lighthouses built sit on private land and as of yet, the owners haven't filed any complaints.

Essentially, China and Japan are avoiding military confrontation for the simple reason that they need each other economically. The continued need for foreign investment and technology transfer leaves China fundamentally captured by the imperatives of its development strategies. Moreover, no major power, including Japan, can afford to lose China's large market potential if they wish to gain a strong competitive edge. The reason Japan has become one of China's biggest aid donors, trading partners and investors is because of the compatibility of both economic environments. While China has the raw materials, Japan can supply the capital goods. Between 1990-1995, the average rate of trade growth between China and Japan was 25.3%, and in 1996, Japan managed to maintain its place as China's largest trading partner with a two-way trade volume of 60 billion dollars, up 4.5% from the previous year.[37] Furthermore, since 1990 the percentage of Japan's foreign direct investment outflows to China has steadily increased[38]:

1990	1991	1992	1993	1994	1995
0.6%	1.4%	3.1%	4.7%	6.2%	8.8%

In sum, Beijing is aware of the potential costs of heightened Sino-Japanese conflict. If Japan were to fully mobilize its economic and technological potential in response to China's assertiveness in the East China Sea, China would have to divert considerably more of its resources from economic development to military modernization, slowing down its modernization and potentially losing public support in the process. The worse case scenario is that Sino-Japanese tension would destabilize Asian security and encourage the US and Japan to enhance their cooperation in opposing China and to mobilize other Asian countries to distance themselves from Beijing.[39] Realistically however, since China is more integrated and internationally engaged in the world market than it has ever been before, the urgent need to expand external economic flows in order to sustain development strategies makes Beijing extremely cautious and moderate its behavior. Therefore, in an effort to maintain good bilateral relations and a healthy economic interdependence, the Chinese government will exercise as much restraint as possible on the Diaoyutai Islands dispute with Japan, and vice versa.

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[37] "China's '96 foreign Trade Hits 290 Billion Dollars," 10 Jan.1997, Kydo News Service, online, nexis, 27 Oct.1997.

[38] JETRO, "Trends in Shares of Japan's Foreign Direct Investment Outflow," (1995), online, internet, 3 Nov.1997.

Conclusion

China's assessment of Japan comprises of two sets of images and perceptions. One set embraces images of Japan as a historical enemy and predator, seeking-- through a more aggressive strategy-- to balance China's growing power in the region. The other set of images encompasses positive perceptions of Japan as a developmental model, raising expectations of what Japan as an economic superpower could do for China's modernization drive.[40] While neither side is willing to give up its claim over the islands (reducing the chances that an acceptable compromise will be reached in the immediate future), at least Beijing and Tokyo seem determined to down play the dispute despite mounting public pressure for each side to take a more aggressive approach and the considerable cost in public opinion for not doing so. Although at times public protests and demonstrations were excessive, decision-makers on all sides behaved with commendable restraint. Regardless, China still remains suspicious of Japan's actions and Japan remains suspicious of China's in connection with what happens and how each side responds to ongoing situations in the dispute.

Underlying tensions and suspicions that exist in Sino-Japanese relations are generated by memories-- which have never really ceded-- of bitter conflict with Japan before and during World War II. Insecurities are further heightened by Beijing's perception that certain dominant actors are working to impede a predominantly Chinese presence in the region. When Jiang Zemin and Premier Li Peng's met Japan's

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[39] Nathan and Ross 92.
[40] Kim 275.

Prime Minister Ryutaro Hashimoto on September 4, 1997, the talks which ensued were dominated by issues of security, as China is rightfully concerned that the ongoing review of the 1978 Japan-US defense cooperation guidelines is primarily directed at it.[41] Fortunately for regional peace and security, one of the most crucial determinants constraining both China and Japan's behavior are corresponding economic interests. In order to secure regional peace and create a stable environment within which all actors in the Pacific could sustain and enhance their growth by attracting foreign investment and fostering regional as well as international trade, China is no more interested in aggressively taking over the Diaoyutai as is Japan.

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[41] "U.S. Defense Ties to be Open, Japan Tells China" 3.

Chapter 5

Conclusion

In recent years, China has intensified displays of ownership over three specific areas it claims as Chinese territory: Taiwan and the island groups in the South and East China Sea. While questions of propriety still exist among all the actors involved, it seems to some, that the growing urgency Beijing places in establishing territorial integrity is related to China's expanding wealth and military strength. The scope of this thesis has thus been to move beyond such assumptions and explore alternate motives that encourage Beijing's growing obsession with its territories. Divided into three categories, our findings conclude that the dialectics of Chinese conflict-making and conflict-coping behavior, which underline China's irredentist strategies reflect: (1) the preservation of Beijing's external security orientation; (2) the maintenance of internal stability and control and (3) the need to continually develop the national economy.

Preservation of Beijing's External Security Orientation

In general, the post-Cold War security balance largely benefits Beijing. Colonel Xu Xiaojun from the PRC's Academy of Military Science, summed it up best when he stated that:

> China enjoys the best security environment since 1949. It is not facing any real military threats. There is no obvious danger of a major attack by any adversary. And the eruption of a world war or major regional conflict which might threaten China's security is a far-away possibility. At present, there is not a single country in its neighboring or surrounding areas which China should define as antagonist.[1]

Such assurances not withstanding, we have explored certain situations –always in the context of China's post-Cold War strategic environment—that do in fact contribute to Chinese insecurities. We attributed China's efforts in modernizing its military to the quantitative increases and qualitative improvements in the military capabilities of its three perspective adversaries: Taiwan, Japan and ASEAN. Equally important was Beijing's reaction to changes in Japan's security and China policy. Yet, the most obvious of China's structural uncertainties remains Beijing's reduced leverage with the US. While Beijing basically supports the military presence of the US (in the Pacific) to balance and control Japan, what irks the leadership about the unrivalled strength of the US in world politics is the prospect of American imposing its "western" standards on other nations. Washington's response to Beijing's military exercises off the Taiwan coast suggested not only the strong possibility of future US involvement in what Beijing considers a "Chinese domestic affair," but it also indicated America's growing deference to Taiwan's situation. Already under the impression that Taiwan's independence movement is gaining momentum, Beijing worries that Taiwan's political liberalization and democratization will drive the Taiwanese to move closer toward the United States rather than China.

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[1] Ralph A. Cossa, "The PRC's National Security Objetcive," Contemporary China in the Post- Cold War Era, ed. Bih-jaw Lin and James T. Myers (Columbia: South Carolina UP, 1996) 200-201

Another idea generated within the thesis is that China's irredentist strategies reflect Beijing's preoccupation with global power structures and their position relative to or in them. In some instances, the structural make-up of the region removed barriers that gave China the opportunity to reassert territorial integrity. Chinese expropriation of the Paracels and Spratlys from Vietnam was the product of first the Soviet threat, and then its decay; and China's clandestine occupation of a Filipino islet, Mischief Reef was partly connected to America's military withdrawal from the Philippines. In other instances, China's perception of its external environment and assessment of the distribution of capabilities across the system encourages Beijing to at least try to balance or improve its position relative to the others and maximize its territorial gains in the process. In national security terms territorial integrity provides the mainland with geo-strategic advantages. On the one hand, the Spratly and Paracel Islands straddle sea-lanes vital to East Asian states including Japan. On the other hand, occupation over the Diaoyutai Islands and Taiwan infers indirect control over the transit areas going from the East toward the South China Sea. If China does not seek to take advantage of the resources (potential and existing) within the South and

East China Sea its own opportunities to grow diminish. Beijing then runs the risk that an adversary will seize those same opportunities to increase its relative power. Therefore, in an effort to protect its vital interests, in 1992 Beijing passed legislation declaring sovereignty over the Diaoyu, Spartly and Paracel Islands. Shortly thereafter, they granted Crestone the right to look for oil near the Paracels and according to Japanese accounts initiated oil exploration near the Diaoyutai Islands in 1996.

Maintenance of Internal Stability and Control

Post Mao reforms have created a general loss of political discipline, cohesion and management, all of which used to emanate from the center downwards. As a result, the party-state is incrementally losing authority, legitimacy and control. Therefore, the survival of the Chinese leadership rests now more than ever before on its ability to maintain (a) internal stability and (b) economic development. Since the existence of the regime is strongly connected with the mutual interdependence of state legitimacy and state effectiveness, territorial integrity benefits China in a combination of ways.

Firstly, potential extraction of natural and fishery resources from the South and East China Sea makes the area extremely valuable to all the actors involved. Already a net-importer of oil since 1994, the appeal of ownership for China lies in the development of the area's natural resources, which can in turn be recycled back into the national economy. Since this necessity for oil already exists, unlimited access to its own reserves will lessen China's dependence on outside supplies. In short, increased self-sufficiency will not leave Beijing so fundamentally captured and influenced by the imperatives of its trading partners. Equally valuable for China's development and facilitated by reunification with Taiwan, is the extraction of capital and technology from Taiwan, which would occur through direct cross-strait trade channels as opposed to the current set-up that only permits the indirect exchange of goods.

The second of Beijing's motives for asserting claims of sovereignty over the Spratly, Paracel, Diaoyutai Islands and Taiwan are nationalistic in nature. When we explored the history of disputed areas, we saw that China's claims heavily rely on historical links. According to Chinese historians, the Diaoyutai islands were part of China from as early as 1403; the South China Sea from as early as the Han Dynasty (206 BC-220 BC); and Taiwan was part of the mainland for more than two centuries until the region's subsequent occupation by foreign aggressors. Thus the issue of wanting to achieve territorial integrity over all the contested areas is largely a manifestation of national pride intensified by a desire, which dates back many years to redeem China's past humiliations. Considering how sensitive the Chinese still are about Japan's unrepentant past, if the current leadership regains complete control over the Diaoyutai Islands, the glories of redemption will be theirs to play upon.

Lastly, we also examined how China's irredentist strategies reflected issues of internal cohesion and domestic vulnerabilities. Ethnic separatism in Xinjiang, Tibet and elsewhere in China presents an extremely decisive internal security challenge for the leadership, particularly now since ethno-nationalism is spreading from newly minted Central Asian states to China's 20 million Muslims. If China were to grant any of its major territories, i.e. Taiwan, independence on the basis that the people see themselves as culturally distinct it would set a precedent. Territories, whose populations already feel alienated, would want to exercise their right to self-determination as well. Just as dangerous, is the possibility that the more prosperous coastal provinces will also seek more autonomy for themselves.

Economic Constraints

Post-Mao reforms opened China's economy and helped develop domestic markets. The result is that China is more integrated and internationally engaged than it has ever been before. China's foreign trade grew more than sixteen percent per year from 1978 to 1994[2] and foreign direct investment inflows to China reached almost US$26 billion in 1993.[3] Since China needs continued injections of foreign capital and technology transfer to sustain its growth, Chinese foreign policy makers are compelled to exercise as much restraint as possible concerning each territorial dispute. After all, Japan has become one of China's biggest aid donors, trading partners and investors; Taiwan is presently China's third largest trading partner; and the trade volume alone between ASEAN and the mainland increased more than six fold between 1986-1996. While each of the disputes do carry the seeds for both conflict and cooperation, more than likely Beijing will not realize its irredentist strategies at the cost of its stability: either external or internal. This is because stability is an irreplaceable ingredient in China's modernization efforts, especially since it eliminates the potential for conflict to disrupt the inflow and exchange of capital and technology between China and its key trading partners.

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[2] Kenneth Lieberthal, "A New Strategy," Foreign Affairs 74.6 (1995): 35.

[3] Nicholas Lardy, "U.S.-China Economic Relations," Greater China and U.S. Foreign Policy, ed. Thomas A. Metzger and Ramon H. Myers' (California: Hoover Institution Press, 1996) 65.

Concluding Thoughts

In conclusion, there is no question that China is maturing into a powerful giant. Its large population, vast territory and abundant resources guarantee this. Its growing economy and military strength support it. Political realists argue that national security and power have been in the past and continue to be in the present the primary objective of states. We have seen here that China follows a similar logic. In effect, the leadership seeks to remedy China's vulnerabilities by elevating itself to a better or comparable position relative to the other states in the system. America's growing sympathy for Taiwan's economic and political successes; the assertiveness of Taiwan's democratically elected leadership; US arm sales to Taipei; the revised military agreement between Washington and Tokyo; or ASEAN's increased military procurements all contribute to China's insecurities. Only by understanding the roots these insecurities can outside policy makers begin to comprehend why Beijing behaves the way its does.

To some extent, China's military build-up is a natural response to resources made more available by its dynamic growth. Yet, in order for China to become a threat to the regional balance of power, it would have to develop the military strength to contend with the other great powers and the power projection capabilities to influence developments across the South China Sea.[4] Putting aside the fact that China possesses nuclear capabilities, we have seen that in comparison China's naval forces are still quite inferior to that of Japan's and a bit better in quantity and quality than that of Taiwan's or those of the various ASEAN states. While we cannot affirm that China has no interest in becoming a "hegemon," we can reasonably assume it would not occur at the cost of China's ultimate or maximum goal, which is to develop the economy. Possibly, as China's economy continues to grow, making the mainland less dependent on outside suppliers, it may become less vulnerable to economic cohesion and ultimately harder to deter. Yet, it is important to note, that even though the free flow of capital and goods may be providing nourishment to a future hegemon, the same exchange also helps promote regional autonomy, political liberalization and cross cutting linkages between various areas in China and the outside world.[5] Furthermore, the Chinese value improving their relations with countries of the Asia Pacific Region and would hesitate to engage in any territorial dispute, which would ultimately damage their economic or political relations with such countries. In response to the campaigns of intimidation targeted against any nation which "violates China's sovereign territory," the threat to use military force is a mere political tactic aimed at deterring adversaries from changing the status quo, rather than aggressively compelling them to conform only to China's standards.

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[4] Nathan and Ross 229.

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